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Nigeria
State and Local Governance in Nigeria

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CURRENCY EQUIVALENTS

(Exchange Rate Effective July 2002)

Currency Unit	=	Nigerian Naira
Nigerian Naira 1	=	US$0.00831601
US$ 1.00	=	N120.25

Fiscal Year

January 1 – December 31

ABBREVIATIONS AND ACCRONYMS

AD	Alliance for Democracy
AG	Action Group
APP	All People's Party
AVS	Anambra Vigilante Services
ASCON	Administrative Staff College of Nigeria
BSVS	Bauchi State Vigilante Services
CDD	Community Driven Development
CB	Capital Budget
FCT	Federal Capital Territory
FGN	Federal Government of Nigeria
GDP	Gross Domestic Product
IGR	Internally Generated Revenue
ING	Interim National Government
LGA	Local Government Area
MTEF	Medium Term Expenditure Framework
NCNC	National Council for Nigeria and the Cameroons
NPC	Northern People's Congress
NRMAF	National Revenue Mobilization Allocation and Fiscal Commission
NEPA	Nigerian Electrical Power Authority
PAC	Public Accounts Committee
PDP	People's Democratic Party
PER	Public Expenditure Review
RB	Recurrent Budget
SNC	Sovereign National Conference
SOS	Swift Operations Squad
UBE	Universal Basic Education
VAT	Value Added Tax

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EXECUTIVE SUMMARY

The purpose of the study is to increase knowledge about state capacity in Nigeria by taking stock of governance issues, including public financial management and civil services, and analyzing them in representative states across the regions, as states assume an expanded role in delivering services to their populations under the 1999 constitution. The immediate beneficiaries are those agencies of the Federal Government, such as the State and Local Government Affairs Office, which have mandated links with state governments, and the Bank itself, which needs to build its knowledge after disengaging from Nigeria in the latter years of military rule.

Specifically, the study lays the groundwork for the preparation of a program of assistance to state governments, should the Federal Government seek financing from the Bank.

Before capacity can be strengthened, the context for capacity building must be understood and the constraints analyzed. Thus the study focuses both on the evolving story of federalism in Nigeria, as well as the challenges states face in managing their finances and delivering services in the aftermath of misrule and decay under the military. With the guidance of the State and Local Government Affairs Office, six states were selected for review: Bauchi, Nasarawa, Rivers, Anambra, Ogun and Sokoto, one from each of the geo-political zones of Nigeria.

The principal findings of the study are the following:

- There is a great deal of variation across states in their capacity for governance. While all states suffered under military rule, some states maintained core civil service capacity better than others. Much has to do with when and how states were created, and the calibre of civil service leadership.

- A new generation of state governors is emerging, albeit still a minority. These are new men coming to politics with a strong private sector background, determined to make their mark by results rather than patronage. These governors are tackling energetically the legacy of stagnation and decay.

- Some are beginning to address public sector reform, through civil service modernization and right sizing, and strengthening financial management. As is already happening in a few states, there is an opportunity for external agencies to support this process by providing resources, expertise and the experience of other countries in public sector reform.

- Suggested areas for support include: modernization of civil services, strengthening budgeting and financial management, and enhancing accountability structures in both the executive and the legislature. Overall, there is a great need to invest in the rehabilitation of national and state civil service training institutions, and the updating of training curricula in ways that support new ways of conducting state business and delivery services.

- The emphasis of governors at the moment is on rehabilitating existing structures, through channelling as much resources as can be spared to the capital budget. A concern of civil service leaders is to restore adherence to due process. Progressively, the emphasis will broaden to the quality of services provided, and this will entail modifying budget structures, inculcating a performance orientation in staff, and increasing transparency.

- Both states and the Federal Government will need to resolve an apparent imbalance between the service delivery mandates of states and the resources at their disposal. The pass through of last year's Federal Government salaries increase has greatly strained the finances of subordinate tiers and made the imbalance more visible, even though oil revenues were buoyant at the time. Many rehabilitation plans were put on hold. Recent Fiscal Mobilization and Revenue Commission recommendations to the National Assembly for a change in relative shares are an attempt to address this issue, though the recent Supreme Court ruling on oil derivation revenue.

- Most states are overstaffed, some very seriously, in relation to the number they require to fulfill their service mandates. Some efforts have been made to reduce bloating and eliminate payroll "ghosts." More needs doing in the context of functional reviews and the identification and equitable separation of redundant staff, with some limited filling of still gaps.

- Federal Government and states will also need to re-examine whether the present degree of harmonization of systems across tiers of government continues to serve their interests. There is a case for striking a new balance between common systems and state variation and innovation.

- At the same time States will need to show more fiscal restraint than they have in the past two and a half years, holding back in periods of burgeoning oil revenues and maintaining a prudent borrowing strategy, to build financial credibility, manage downturns in the oil sector and increase predictability of their budgets. through adoption of a Medium Term Expenditure Framework (MTEF). Many States have rashly incurred debts for higher capital spending, and now risk arrears on contractual payments and salaries.

- If external support for capacity building is to be effective, it must be calibrated with the commitment to reform in states, and not provided on an entitlement basis. If state capacity is to be rebuilt, the structural causes of capacity erosion must be addressed, and new directions taken. By no means all states evince a clear reform strategy.

I. INTRODUCTION

1.1 The success of Nigeria's federal system for effective governance depends on an appropriate division of responsibilities and resources between federal, state and local authorities supported by a sufficient institutional capacity at each of these levels to carry out its assigned functions. The purpose of this study is to assess the extent of such capacity by reviewing key governmental institutions at the state and local level as well as the changing relationships between these two tiers of government and the center and between each other. The report is intended to inform the Federal Government of Nigeria, especially the State and Local government Affairs Office, and the World Bank about the strengths and weaknesses of governance at the state and local levels and what institutions require support to strengthen Nigeria's federal system as a whole. As such, it is hoped that the study will lay the ground for future Bank support for strengthening capacity of selected institutions at the sate and/or local level.

1.2 The study is also intended to provide Bank staff concerned with a variety of sector specific programs, and especially those charged with designing programs in the area of Community Driven Development (CDD), with an understanding of the institutional and historical context within which these programs will be established. Many of the programs now being considered by the Bank in Nigeria will require implementation through state and local government. It is therefore crucial that the nature of these tiers of government be understood before moving forward with such programs, and that appropriate steps be taken based on this understanding to guide these programs' success. It is also important that the historical and political context of these institutions be appreciated. State and local government do not function in a vacuum but are the products of societal forces that determine their structure and mode of operation. A significant portion of this report is therefore devoted to providing this background to deepen the understanding of the nature of capacity and the steps that might be taken to strengthen it. There is a deeply felt need to restore public sector capacity, but to do this in a sustainable way, structural constraints need to be tackled systematically. In this way, this report represents a departure from the conventional approach towards public sector analysis in the Bank.

1.3 The report that follows is divided into three sections. The first section presents an historical overview of the development and nature of Nigeria's federal system of governance. The second is an analysis of governance capacity in the states. This analysis is extended to local government in the third section.

1.4 This study was prepared by a multidisciplinary team of three specialists led by Mike Stevens, a public sector management specialist. He was joined by two political scientists: Joel D. Barkan, Professor of Political Science at the University of Iowa, and a specialist on the politics of African development, and Alex Gboyega, Professor of Political Science at the University of Ibadan, Nigeria and a specialist on state and local government.

1.5 Field investigations for this study were conducted in February, March and May, 2001 during which time the team spent one week in each of five Nigerian states conducting interviews for the study—Bauchi, Nasarawa, Rivers, Anambra and Ogun. As the study draft was being finalized based on the five states, it was represented to the team that for reasons of balanced geographic coverage, a sixth state, from the southwest geopolitical zone should be added. This was subsequently done, and Sokoto was visited later in the year. About 200 people were interviewed in the process of these investigations including senior government officials, civil servants and members of non-governmental organizations. A list of those interviewed appears in Appendix A.

1.6 The field investigations for this study would not have been possible were it not for the assistance provided by the State and Local Government Affairs Office of the Federal Government of Nigeria. We especially wish to thank the overseeing Director, Alhaji Ibrahim Zakari and Alhaji Ibrahim Umar Kida, Honorable Minister of Intergovernmental and NDDC Monitoring for making the study possible, Cornell Obi, former Director of the State Affairs Department, his successor, Chief C.C. Agbaneje, Director, States Affairs and Mrs. F. O. Fatokun, Deputy Director of the Local Government Department of SLGA for their invaluable support throughout the preparation of this study. We also wish to thank the many officials of the sub-national governments we visited who took time from their busy schedules to meet with members of the team and candidly shared their observations and aspirations regarding the future of state and local government. Peer reviewers of the study were Professor Peter Lewis of American University and Yasuhiko Matsuda of the World Bank. In addition, the text benefited from the critical eye of Professor Richard Sklar of University of California in Los Angeles, U.S.A. Responsibility for any errors and omissions remains, of course, with the authors.

1.7 Finally a word of caution: While we are confident that findings presented in this report are valid for the states considered for the study, and for Nigeria as a whole, it is prudent to remember that this group of states was not randomly chosen, but selected according to pre-determined criteria. The choice of states was determined in consultation with the State and Local Government Affairs Office to include one state from each of the six principal geo-political zones that frame most policy discussions in Nigeria.[1] This selection of states embraces the wide diversity of socio-economic and political conditions found across the Federation. It nevertheless constitutes a relatively small "sample" and one that probably reflects those states that have achieved more distinctive records of effective governance than others since the return of democratic rule.

[1] The six geo-political zones are the North-East, the North-West, the Middle Belt, the South-East, the South-West, and the South-South. Although the six geo-political zones are not formally recognized in Nigeria's constitution, the zones are of operational significance insofar as federal policy with respect to appointments and the allocation of resources is often crafted in a manner that insures the inclusion of individuals or states from all zones. The characteristics of all states including the zone to which they belong is presented in Appendix B.

II. AN HISTORICAL OVERVIEW OF NIGERIAN FEDERALISM

2.1 Nigeria is a federation of 36 states, a federal capital territory (FCT) and 774 local government areas. To understand the various dimensions of governance capacity at the state and local levels, one must begin by appreciating the changing federal context within which state and local governments were formed. It is particularly important to understand the varying extent of state autonomy *vis a vis* the federal government and the manner in which revenue has been allocated across the three tiers of government. These are the defining parameters of all federal systems, and Nigeria is no exception. We therefore begin this report with an historical overview of Nigeria's federal system— how and why the system was established in the manner that it was, and the enduring implications of these developments for the country today. The states that comprise Nigeria today are the product of an interplay of regional forces that have unfolded over a period of nearly ninety years. During this time, which includes the era of colonial rule, power shifted back and forth between the center and Nigeria's constituent parts— provinces, regions and later states, and between north and south. The prospects for the states to play a leading role in the economic transformation of contemporary Nigeria are conditioned by this historical experience.

A. Federalism Before Independence: From Two Protectorates to a Single Federation

2.2 Nigeria was incorporated in 1914 when Frederick Lugard who became its first Governor-General amalgamated the two British protectorates of Northern and Southern Nigeria and the Crown Colony of Lagos into a single entity. The primary reason for amalgamation was economic rather than political. The Northern Protectorate which became the Northern Province had annual budget deficits, while the Southern Protectorate which became the Southern Province had surpluses. To eliminate the subventions from the British treasury, the budgets of the two components were integrated. In addition, some central institutions were established to anchor the evolving unified structure. The Governor-General organized a Central Secretariat at Lagos, which was the seat of government, and established the Nigerian Council (later the Legislative Council) to provide a forum for representatives drawn from the provinces. Certain services were integrated across the Northern and Southern Provinces because of their national significance— military, treasury, audit, posts and telegraphs, railways, survey, medical services, judicial and legal departments— and brought under the control of the Central Secretariat in Lagos.

2.3 The process of unification was undermined by the persistence of different regional perspectives on governance between the Northern and Southern Provinces, and by Nigerian nationalists in Lagos. While southern colonial administrators welcomed amalgamation as an opportunity for imperial expansion, their counterparts in the Northern Province believed that it was injurious to the interests of the areas they administered because of their relative backwardness and that it was their duty to resist the advance of southern influences and culture into the north. Southerners, on their part, were not eager to embrace the extension of legislation originally meant for the north to the south. These same concerns persist across both north and south today.[2]

2.4 These differential attitudes signalled that a federal system might be a suitable framework for keeping Nigeria as a single political entity. Subsequent political developments confirmed the federal solution as the best political arrangement that could provide the compromises and assurances necessary for advancement to political unity. No final consensus, however, has been reached on what such compromises and assurances should be, and in many ways Nigerian history is the search and struggle for an enduring federal formula, which continues today.

2.5 Nigeria has had no less than seven constitutions and demands are building up for review of the current constitution. In an effort to establish a viable federation, the British modified the constitution four times— in 1922, in 1946, in 1951, in 1954. The final result was a federation of three regions following the splitting of the Southern Province in 1946 to create the Eastern and Western Regions, and the Northern Region which was a continuation of the Northern Province. The establishment of the regions was a response to the fundamental ethnographic and cultural configuration of Nigerian society. It was also an impetus for the further ethnicization of politics.

2.6 Each of the regions was formed around the largest ethnic group residing in the region— the Northern Region around the Hausa, the Western Region around the Yoruba, and the Eastern Region around the Igbo. However, none of these groups, with the possible exception of the Yoruba in the Western Region, constituted more than 65 percent of the population of the region in which it was the dominant group. Each of the regions thus contained significant populations of ethnic minorities that would subsequently demand their own region or state.

2.7 The three regions were also distinguished by their unique cultures and rural economies. The Northern Region was and remains overwhelmingly Muslim in religious background and resisted Western education and other cultural importations of the colonial regime. Prior to the colonial era, the Hausa were governed by a series of centralized political authorities or Emirates ruled by powerful emirs. The British reinforced these traditional structures by ruling through the emirs and the Sultan of Sokoto to which the emirs paid fealty. Although the importance of the emirs declined significantly during the period of military rule, governors across the North seek to maintain cordial relations with these leaders. The North has historically been a significant region of cattle raising and supplies much of southern Nigeria with meat. The region was also a major producer and exporter of cotton though, as with the rest of the agricultural sector, cotton production has declined in importance.

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[2] Northern interests continue to fear economic domination by the South which is one reason why they resist efforts to privatise Nigeria's many parastatal enterprises. Conversely, southerners are wary of recent legislation by several northern states to extend the practice of Sharia law.

2.8 The Western Region, which included the capital city of Lagos, emerged as the economic hub of the country prior to the discovery of oil in the 1960s. In addition to the trade associated with the capital, the region became one of the major producers of cocoa in West Africa. The Yoruba traditionally resided in urban areas—one of the few manifestations of a pre-colonial urban pattern of residence in Africa, and one which stimulated trade across the region. Less centralized than the Hausa, the Yoruba were organized into a series of small kingdoms and chieftaincies which were reinforced during the colonial period. Although the region rapidly embraced Western education and, to a much lesser extent, Christianity, the region maintains its distinct cultural identity, one that has shaped Nigerian politics.

2.9 The Eastern Region, the homeland of the Igbo peoples and other groups, embraced both Western education and the colonial economy. The region is also the most heavily Christian in Nigeria having been the site of intensive missionary activity by the Catholic and Presbyterian churches. During the colonial era the East became a major producer and exporter of palm oil and other palm products, however, since the discovery of oil and the civil war, palm oil no longer dominates the economy. Igbo traders are legendary in their entrepreneurial skills and are found throughout Nigeria. However, their presence has often resulted in ethnic friction, particularly in the North whose economy was once heavily influenced by these settlers from the South.

2.10 During the run-up to independence, the British, responding to Nigerian demands, transferred responsibilities to Nigerian leaders by establishing a parliamentary form of government based on the British model at both the regional and federal level, and holding elections for each of these bodies. Internal self-government was thus granted to the Eastern and Western Regions in 1957, and to the Northern Region in 1959.

2.11 A related and critical issue was the allocation of revenue between the regions and the federal government. Until the late 1950's regions retained a high degree of control over their revenues. In 1958, a commission[3] was appointed to advise on a revenue allocation formula. It emphasized the principle of derivation by recommending that 50 percent of mining and mineral rents and royalties should be retained by the regions of origin, i.e. the regions where the extraction or production occurred. Of the remainder, 30 percent should be allocated to the distributable pool account that would be shared by all the regions, and 20 percent to the federal government. The result is that as Nigeria approached independence, it consisted of a federation of three autonomous political entities, each with a different ethnic base, and each with its own revenue base. The federal government was relatively weak— a loose framework to hold the country's disparate parts together and provide common services.

[3] The Jeremy Raisman-Trees Fiscal Commission

B. Federalism After Independence: The "First Republic" (1960-66)

2.12 At independence in October 1960 Nigeria was a multi-party democracy with a federal constitution. Its parliamentary system gave promise of evolution toward a stable pluralist political system. The judiciary was independent while the civil services of the federation and the regions had a high reputation for efficiency and integrity. This system was soon undermined by the nature of political forces of the time.

2.13 In the decade prior to independence, three political parties emerged to dominate Nigerian politics. Each became dominant in a single region by organizing the largest ethnic group of the region into its political base. The National Council for Nigeria and the Cameroons (or NCNC) became the dominant party in the Eastern Region by organizing the Igbo heartland, as well as enjoying significant Yoruba and Edo support. The Northern People's Congress (NPC) became the dominant party in the Northern Region by appealing to Hausa speaking peoples, and the Action Group (AG) gained ascendancy in the West as the representative of the Yoruba. Each of these parties came to control the government in its region while a coalition of the NPC and NCNC— a coalition of the North and the East— formed the government at the center, and the AG formed the federal opposition. The result was an inherently unstable situation where the ruling parties of any two regions could dominate the third. In 1963 an intra-party crisis in the Western Region gave the federal coalition partners the opportunity to intervene in the region to incapacitate the AG government. The federal government invoked emergency powers to dismiss the western regional government. While the regional leadership was in disarray, the region was split by the creation of the Mid-West Region, a new region for the non-Yoruba minorities of the original region.

2.14 Disagreement over the 1962/63 population census figures then ruptured the federal coalition of the NCNC and the NPC. Both parties were keen that the regions where they dominated gained advantage from the census. The conflict over the census exacerbated political tensions that had previously led to outbreaks of violence in the Western Region and some parts of the Northern Region. This situation led to the first military intervention in January 1966. It was followed by a second coup six months later.

C. The First Period of Military Rule (1966-79)

2.15 The coups of 1966 thrust Nigeria into two protracted periods of military rule that were to last thirty two years save for a short interregnum of the Second Republic from 1979 to 1983. After the second coup that was a reprisal for the wanton killing of Easterners in northern Nigeria, the Eastern Region attempted in 1967 to secede and to create an independent Igbo homeland (Biafra) which resulted in a 30-month civil war. In response, the federal military government began to create more states—to outflank and break-up the Eastern Region by providing homelands for ethnic minorities of the region, but also to break-up the dominant bases of power in the West and the North. The military believed that by creating a larger number of relatively weak states under a strong central government it could overcome the instability of the past. Put simply, the military sought to unilaterally redefine the shape of Nigerian federalism into one consistent with its own hierarchical structure and vision. The result was the creation of eight additional states, raising the total to 12 in 1967. Another 7 were created in 1976 raising the number to 19. The number was again raised to 30 during the second period of military rule in 1991 and to the present 36 in 1996.

Table 1

THE SEARCH FOR A VIABLE FEDERATION

Year	Number of Regions or States	Extent of Regional or State Autonomy	Regime Type
1914	2	Very High	Colonial
1954	3	Very High	Colonial
1963	4	High	Democratic
1967	12	Low	Military
1976	19	Low	Military
1979	19	Medium	Democratic
1991	31	Low	Military
1996	36	Very Low	Military
1999	36	Medium & rising	Democratic

The military also whittled down areas of autonomous decision-making on the part of the states by appointing senior officers and members of the Supreme Military Council as governors of the states.[4] More significantly, the military regime centralized the fiscal system. Under the guise of raising resources to fight the civil war, the military transferred tax resources previously vested in the regional governments to the federal government and reduced the proportion of federally collected revenue distributed according to the principle of derivation from 50 percent to 10 percent. Another impetus for the reduction of the derivation principle was Nigeria's emergence as a major oil producer. By the early 1970s oil had become Nigeria's leading export and the main source of government revenue, but without the reduction of the principle of derivation, half of all oil revenues would have flowed to the littoral states located in the south-eastern part of the country.

[4] All governors belonged to the armed forces and the police except the governor of the former East Central state in the Igbo heartland.

By reducing the derivation principle, the bulk of these funds were available for redistribution throughout the federation.

2.16 Before the return to civilian democratic rule in 1979, 90 percent of all oil revenues plus all other federal sources of revenue were deposited into the Federation Account and allocated according to a formula that gave the federal government 75 percent, state governments 22 percent, and local governments 3 percent. The military also deprived states of revenues from excise, export and import duties previously distributed on the basis of derivation. Federal takeover of agricultural commodity marketing boards also eroded sources of state revenue. Also during this period the federal government assumed responsibility for fixing the rates of income tax, although in principle it remained a state tax.

2.17 Finally, the military in 1976 established a system of elected local government authorities or LGAs. Though seemingly inconsistent with the logic of military rule, the military believed that elected local government would provide a more viable and legitimate form of government at the local level and further weaken the states. Three hundred LGAs were established initially, but over the years, the number grew to the present 774.

2.18 After 13 years of military rule, the military ceded power in 1979 to an elected civilian government established under a new constitution, and known as the Second Republic. The military handed back a radically altered federal structure compared to that which it inherited. In 1960, the regions were powerful because they had independent sources of revenue. By 1979 they were totally dependent on federally collected revenues. In addition, the economy had become a semi-monoculture in which approximately half of Nigeria's GDP was derived from oil.

D. The "Second Republic": Nigeria's Second Attempt at Democratic Governance (1979-83)

2.19 Nigeria's return to civilian rule followed the drafting of a new constitution according to specifications by the military. To overcome the defects of the past, the parliamentary system was scrapped in favour of a presidential structure of government that provided for direct election of the executive by the entire federation. The "presidential" model was replicated at the state and local government levels. The new constitution also required that political parties be truly national (rather than regional) in character by being registered in two-thirds of the states, and that the executive should be elected in a manner that reflected the country's federal character (i.e. by obtaining at least 25 percent of the vote in two-thirds of the states). At least one cabinet member was to be appointed from each state in the federation. The government, in short, was required to be more "inclusive" but the balance of power (and revenue) established by the military between the federal government on the one hand, and the states and local governments on the other remained unaltered.

2.20 Despite these provisions, the coalition government that formed at the federal level after the 1979 elections once again comprised the dominant regional political parties in the north (the National Party of Nigeria) and east (the Nigerian Peoples Party) with the dominant party in the west (the Unity Party of Nigeria) serving as the opposition. The basic ethnic orientation of Nigerian politics had defied constitutional and structural reforms carried out by the military to change the character of the polity. The presidency was won by Alhaji Shehu Shagari, who was from the North and acceptable to the military.

2.21 Within four years, the politicians had replayed mistakes of the 1960s and created an environment for the return of military rule. They massively looted the treasury, mismanaged the economy and undermined the legitimacy of civil democratic rule by blatantly rigging the 1983 federal elections. State governments did not hold local government elections when they were due preferring instead to administer local affairs through un-elected appointees. A disappointed public denied a democratic means of changing their rulers broadly applauded the military's return to power in January 1984.

2.22 Notwithstanding this record, President Shagari's government did adjust the allocation formula of the Federation Account that shifted revenue back to the states and LGAs. The Revenue Allocation Act of 1982 reduced the allocation to the federal government from 75 to 55 percent. The states were now to receive 32.5 percent, a substantial increase over the old formula of 22 percent with 10 percent (up from 3) going to the LGAs. Of the remainder, 1.5 percent was allocated to mineral producing areas, and 1 percent to an ecological fund.

E. The Second Period of Military Rule (1984-99)

2.23 The second period of military rule lasted fifteen years during which time the patterns that emerged during the 1970s etched deeper as more states were created that were directly ruled from the center via military governors, while the government's continued dependence on oil revenues meant that both state and local governments depended on subventions from the federal government for upwards of 90 percent of their revenues. Although the military government initially announced that it would add only two states, it nearly doubled the number from 19 to 36. In the process, the states became progressively weaker *vis a vis* the center. The second period of military rule also saw the reestablishment of elected government at the local level, although elected officials were replaced by administrators appointed by the military in 1996. Military rule brought yet another change in the revenue formula. Consistent with its approach of empowering local governments irrespective of impact on the states, the state allocation of the Federation Account was reduced to 24 percent while the share for the LGAs was raised—from 10 percent to 15 percent in the 1980s, and then to 20 percent in the 1990s.

2.24 The second period of military rule was marked by different governing styles of each of the four military governments. The first, headed by General M. Buhari, was repressive and lasted only a year and a half, from 1984 to 1985. It was followed by the eight year stewardship from 1985 to 1993 of General Ibrahim Babangida, a period that began with an apparent commitment to returning Nigeria to civilian rule, but ended with the annulment of the 1993 presidential election. This election was widely regarded as the "freest and fairest" of all elections held in Nigeria since independence, and was intended to be the basis of a return to civilian rule.

2.25 President Babangida vacated office in August 1993 and was replaced by the Interim National Government, (ING), headed by Chief Ernest Shonekan that ruled from August 27 to November 17, 1993. The ING was supplanted by General Sami Abacha whose four-year rule was marred by decline in the quality of governance, human rights abuses and repression of opposition including the arrest of Chief M. K. O. Abiola, presumed winner of the presidential elections, who eventually died in detention in July 1998. Nigeria became a pariah state, investors fled and the international donor community, including the World Bank, largely withdrew from the country. At the state level, military governors ruled their realms as if they were personal fiefdoms and presided over the deterioration of every form of basic infrastructure— roads, schools, hospitals, government office buildings, water systems, and power grids, etc. The result was a total loss of credibility and legitimacy by the military, and thus, ultimately, its authority to rule. When President Abacha died abruptly in June 1998, it was clear that the military could not hang on to power much longer. Abacha was succeeded by General Abdulsalami Abubakar whose administration lasted only 11 months, but which was committed to effecting the democratic transition. Under President Abubakar's leadership Nigeria began to emerge from international isolation. The government established a commission that drafted a new constitution, and held elections at the local, state and national levels. Nigeria embarked on its third democratic governance in June 1999.

2.26 Notwithstanding success of the Abubakar government in bringing about the end of military rule, the transition left a number of crucial issues unresolved regarding the future of Nigerian federalism. Chief among these is the failure of the present constitution to articulate a clear delegation of authority to both the states and to the local government authorities. A related issue is the allocation of Federation Account revenues between the three tiers of government, which continues to be disputed.

F. The "Third Republic" (1999-present)

2.27 The elections of 1999 gave rise to three major political parties— the People's Democratic Party (PDP), the All People's Party (APP) and the Alliance for Democracy (AD). However, in marked contrast to prior elections, only one of these parties, the Alliance for Democracy based in the West, was regional in character. The electoral outcome was regarded as generally reflective of the Nigerian population's preferences. Chief Olusegun Obasanjo, who had headed the military government that turned over power to the Second Republic in 1979, stood as the candidate of the PDP and was elected president. General Obasanjo who had been imprisoned by the Abacha regime for three years under very bad conditions was a southerner acceptable to the military and strongly endorsed by the North and other Regions. The PDP controls both the houses of the National Assembly, and the governments in 24 of the 36 states.

2.28 The Constitution for the Third Republic closely resembles that of the Second in that it provides for a presidential system of government at the federal level, and a directly elected executive at the state and local level. Political parties are again required to be national in character, as is the composition of the central government. As in the Second Republic, the President must receive at least a quarter of the vote in two-thirds of the states to gain election.

2.29 A controversial characteristic of the constitution is that most of the powers accorded to the states in the Second Schedule of the 1999 constitution are exercised concurrently with the federal government. This situation has caused confusion since the return to civilian rule and led to a continuing debate over which tier of government, federal or state, is best equipped to deal with various areas of policy (e.g. secondary education). A related feature is that while the functions of local government are specified in the Fourth Schedule, local government authorities can exercise their authority only in accordance with enabling legislation passed by the states. Depending on the specifics of this legislation—which varies from state to state— LGAs are thus subject to varying degrees of state oversight and control.

2.30 As discussed in the next section, the debate over the allocation of federal revenues is both continuous and intense, because it is fundamentally a debate over how much power will be held by each tier in the federal system. In 1994, the Abacha administration agreed that the oil producing states should retain 13 percent of all oil revenues thus re-establishing the principle of derivation. The reestablishment of the derivation principle, however, was not implemented until 2000 after the handover to the new civilian government. Notwithstanding this change, the allocation formula among the three tiers of government of all federally collected revenues distributed *after* derivation remains at 48.5 percent for the federal government, 24 percent to the states, 20 percent to local government, with 7.5 percent retained for "special", i.e. federally determined projects.[5] The changes proposed in the allocation formula are discussed in the next section.

2.31 The leaders of both state and local governments insist that the percentages allocated to their tiers be raised given their responsibilities. They also argue that because the Federal Government controls the distribution of the Special Funds, *de facto* the FGN's share is 56%. The future of the Third Republic and the future of Nigerian federalism is thus dominated by the continuing debate and negotiation over the division of authority and the allocation of revenue. The outcome of these negotiations will have a profound impact on the capacity of governance at both the state and local level, and thus the context within which the World Bank and donors seek to reduce poverty at the grassroots of Nigerian society.

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[5] The present formula is similar to the 1982 formula in terms of the total flow to the center, but the states now receive less than during the last civilian government, while the local governments receive more.

Table 2

THE SEARCH FOR A VIABLE REVENUE SHARING FORMULA

Year	Commission	Allocation of the Federation Account (pct.)				
		FGN	States*	LGAs	Special Funds	Derivation Formula**
1958	Raisman	40	60	0	0	50
1968	Dina/Gowon	80	20	0	0	10
1977	Aboyade	75	22	3	0	10
1982	Okigbo	55	32.5	10	2.5	10
1989	Babingida	50	24	15	11	10
1995	Abacha	48.5	24	20	7.5	13
2001	NRMAF (proposed)	41.5	31	16	11.5	13

*The portion of the Federation Account allocated to the states has been allocated on the basis of five criteria: equality (equal shares for all states), population, social development, land mass and terrain, and internal effort at generating own revenue. Historically, the bulk of the allocation (usually 70 percent) has been on the basis of equality and population.

**The derivation formula is the percentage of the revenue states retain from taxes on oil and other natural resources produced in the state.

Most recently, the Supreme Court was petitioned by littoral states seeking the inclusion of all offshore oil in the derivation formula. In April 2002, the court made a number of constitutional rulings which will require both significant adjustments to past payments, and further dialogue between all three tiers of government before a viable revenue sharing formula can be ultimately adopted.

III. GOVERNANCE CAPACITY IN THE STATES

A. State Level Government in the Third Republic

3.1 The importance of Nigeria's states and state level government is arguably greater today than at any time since the demise of the First Republic in 1966. The return of civilian rule has profoundly altered the relationship between the federal government and the states. After years of becoming progressively weaker *vis a vis* the federal government, political leaders at the state level are now challenging the center by demanding devolution of authority and resources to the states. The balance of political power has begun to shift back to the states—the first such shift in three decades.

3.2 Four factors explain this shift. First, and most significant is the return to democratic rule, because elected civilian governments have been re-established at both the federal and state levels. Whereas under the military, the federal government was controlled by a single hierarchical institution, the center is now run by a coalition of elected officials who must remain sensitive to the demands of their constituents, and especially to the coteries of local elites that mobilized the electorate on their behalf. The existence of elected state government has also meant that political leaders at the sub-national level are more assertive than during the military period, when they were completely removed from Nigerian political life and when the states were run by military governors appointed by the central command. State governors were also outsiders who had little connection with or knowledge of the states to which they were assigned. Today, governors are directly elected officials with their own local and regional bases of political support— a reality that provides them with a significant measure of independence from federal control.[6] Although governors and states still derive the bulk of their revenues from the center and are often constrained by federal policy, they are demanding bigger revenue allocations and enhanced political autonomy.

3.3 Second, the present constitution for the Third Republic is vague on the powers of the states and virtually silent on the powers of local government. As set forth in the Second Schedule of the 1999 Constitution, most powers assigned to the states are concurrently shared with the federal government. Few powers are assigned exclusively to the states. The constitution was written in haste in 1998 by a commission appointed by the outgoing military regime prior to the holding of elections to establish the new civilian government. It was *not* the product of extensive negotiations between major political blocs to create a new framework to regulate Nigerian political life during the Third Republic. The constitution is consequently regarded as an interim document by most political leaders at both the national and state levels. This is particularly true of political leaders at the state level who want a more precise and expanded definition of the powers of the states. Most of these leaders chafe under the central authority of the federal government which they regard as limiting their ability to provide effective government

[6] As at the federal level, the executive is directly elected as Nigeria has adopted a "presidential" structure of government at all three levels of the state—federal, state and local..

and to deliver services for the people of their states. They view the federal government as an entity that both encroaches on their turf, and squanders public revenue. Why, for example, should the federal government share responsibility for secondary education when this is a service that can be effectively provided by government at the sub-national level? While they do not use the term, state leaders articulate the concept of fiscal federalism based on the principle of subsidiarity—that government services should be devolved to the lowest level of government capable of providing the service effectively.

3.4 Third, a significant number of state governors and their cabinets—perhaps a third—are members of a new political generation. This generation is composed of political leaders who have been elected for the first time, or who held office only briefly during the aborted transition to civilian rule in 1992-93.[7] It is a generation of pragmatists whose attitude towards governance is to "make things work" and to "get things done."[8] Whereas the primary goal of previous generations of politicians has been to gain patronage for oneself and one's entourage— i.e. to obtain jobs, contracts and/or rents, to "share the national cake," this group of the new generation appears to believe that the best way to advance their political careers is to deliver substantive benefits to the public. Most refer to the need for "a tangible product of the democratic dispensation" in the form of new roads, rural electrification, hospitals and other infrastructure. They view state government as a vehicle for improving the lives of the average Nigerian, providing they can wrest a measure of authority and resources from the center.

3.5 A fourth factor that explains the rise of the states is the long-standing demand for greater decentralization of powers from the federal center to the states. This has crystallized around agitation for revision of the revenue formula and "resource control." The end of military rule unleashed pressures to substantially redress neglect of the communities of the South-South zone that produce all of Nigeria's oil. Even before the transfer of power in June 1999, the military bowed to the demands of oil-producing states to re-establish the Derivation Account, a fund into which 13% of all oil revenues is paid for retention by these states.

[7] During the military government of Ibrahim Babangida, there was a brief period of elected government at the state level that lasted a little more than a year.

[8] Notwithstanding their performance orientation, the new generation should not be confused with the group hailed as the "new leaders" of Africa, i.e. Jerry Rawlings, Yoweri Museveni, Paul Kagame, Meles Zenawi or Isaias Afwerki only a few years ago. Whereas all of the "new leaders" obtained power via the gun and have resisted full democratic rule, the "new generation" obtained power via the ballot and are democrats in so far as they see no viable alternative to democratic rule.

Partnership in the Energy Sector

A continuing and embarrassing frustration in Nigeria is the shortage of energy in an energy rich country. The failure of NEPA to provide adequate electric power is a daily occurrence, as had been until recently long lines of cars waiting for petrol at the pump. But while the federal government has moved slowly to privatize the electric company and deregulate the price of petroleum products, the government of Rivers State has moved forward with its own remedy—one that should have been pursued years ago, but was not during the period of military rule.

Soon after taking office in May, 1999, the new governor of Rivers State, Dr. Peter Odili, concluded that the provision of electric power was a priority that could be pursued by initiative at the state level. For years, the international oil companies operating in the Delta had flared off the natural gas emanating from their wells, a practice considered both wasteful and contributing to the overall pollution of the area. Though criticized by environmentalists, the companies did nothing. Neither did the federal government which tolerated the practice. Although the military did purchase two gas turbine generators to supply electricity from gas, they remained in their crates.

The governor viewed this situation as an opportunity. Rather than confront the companies, he approached the leading producer, Shell Oil as well as AGIP and requested their assistance in helping the state acquire gas turbine technology that would utilize a portion of the gas while generating electricity for the local market. The governor reasoned that with adequate power, Port Harcourt would gain a competitive advantage over other urban areas in attracting industry and other business to invest in the area which would in turn create more jobs. The installation of a local generating facility would also speed rural electrification to all local government areas in the state—a sure vote getter at the next election scheduled for 2003.

Though the generation of electricity through gas turbine technology had been promised in the past, the governor delivered. He first obtained permission from the federal government to take charge of the two uncrated turbines and purchased four more. After protracted negotiations with NEPA—which initially refused to transmit locally generated power over its lines, the turbines were installed and started to supply the state in May 2001. The coming on line of this additional source of power has freed up some power for other states wired to the national grid though how much is unknown. The governor's leadership created a win-win situation, and one that will no doubt enhance his prospects for re-election. The Bayelsa state governor has also utilized gas turbines to enhance electricity supply to the state, while the governor of Lagos State has been similarly successful with his own power initiative though not until after overcoming resistance from NEPA.

3.6 This combination of factors plays itself out in the current debates over the future of Nigeria's constitutional framework, and the allocation of the country's oil revenues which provides roughly 90 percent of all federal revenues. The two issues are distinct, but intertwined. In respect to the constitution, there have been repeated calls by political leaders since the early 1990s for the holding of a "Sovereign National Conference" (SNC) to negotiate the new democratic dispensation for Nigeria. Demands for an SNC have come mainly from the South where the desire for substantial devolution is greatest. They are voiced by leaders who envision a constitutional assembly similar to those held in Benin and South Africa at which representatives of all major political groupings arrive at a consensus on a new democratic dispensation for Nigeria. Such demands were rejected by the final military government of President Abubakar which sought a rapid return to civilian rule and which appointed its own panel of constitutional experts to write the constitution for the Third Republic. As previously noted, the 1999 Constitution is vague on the division of authority between federal and state government and on the powers accorded to local government authorities. There is thus widespread agreement that some form of constitutional review and renegotiation of the federal formula is inevitable to consolidate Nigeria's return to democratic rule. The question is what form will the process of review and renegotiation take?

3.7 At the time of the fieldwork for this study, the Attorney-General of the FGN stated that the eventual holding of SNC was inevitable, and in April, President Obasanjo acknowledged that a constitutional review would take place. However, it is unlikely that any comprehensive review, especially via the holding of an SNC, will take place before the next presidential and parliamentary elections scheduled for 2003 as the run-up to the elections has already begun. In the meantime, attention has shifted to the renegotiation of the allocation of federal revenues across the three tiers of government. Because these negotiations focus on the allocation of the resources required to run Nigeria's federal system, they are the essence of the constitutional debate and the struggle over the future of fiscal federalism in the country.

3.8 The essence of the constitutional debate revolves around the allocation of federal revenues, because 90 percent of all governmental revenues are derived from oil and paid by the oil companies directly to the federal government. Prior to the reestablishment of the Derivation Account in 1999, all oil revenues were paid into the federal treasury and redistributed to the various tiers of government following the payment of "first charges" for Nigeria's debt repayment and debt service as well as for various "special projects" directed by the federal government. As part of the transition to civilian rule under the Third Republic, this system was changed in several key respects to address demands by both the oil producing states and the proponents of a new federal order. The reestablishment of the Derivation Account was the first step in the reallocation of federal revenues. As noted above, 13 percent of Nigeria's oil revenues is paid into this account for distribution to the oil producing states, while 87 percent is retained by the federal government for distribution to all tiers of government.[9] Needless to say, the oil producing states would like to raise this percentage, but the likelihood of a raise is low as this would effectively mean less revenue for both the federal government and the other states.[10]

[9] Revenues of the Derivation Account are distributed on a proportional basis equal to the percentage of oil produced by each of the oil producing states. By far the biggest beneficiary of this formula is Rivers State which accounts for approximately 48 percent of total production. The amount of oil revenues that should be deposited into the Derivation Account, however, is disputed. Oil producing states believe that it should be 13 percent of *all* oil revenue while the federal government maintains that it is only 13 percent of the revenues obtained from oil produced "on shore," i.e. on the land areas of each oil producing state. Revenues obtained from "off-shore" production along the littoral of each state are thus excluded from the Derivation Account.

[10] A small increase to 15 percent may occur as a way to pacify rising tensions in parts of the Delta.

3.9 The remaining 87 percent of oil revenues are distributed as follows. First, a portion is devoted to "first charges" to insure that Nigeria meets its debt repayment schedule and other international obligations. "First charges" are also made for "special projects," a practice that several governors believe is being purposely abused to reduce the amount of revenue paid into the Federation Account— the principal source of government finance at all levels. As discussed in the previous section, 48.5 percent of the Federation Account is allocated to the federal government, 24.0 percent to the states, 20.0 percent to the local government authorities, and 7.5 percent for "special projects." The governors are united in their demand that the percentage distributed to the states be raised. They make two arguments in support of their demands. First, that there are many functions currently being performed by both the federal and state governments, such as the provision of secondary education, that are best done by the states alone. Second, that unfunded federal mandates, such as the 2.5 times raise of civil servants salaries in May, 2000, have increased the revenue requirements of the states without increased revenue allocation from the Federation Account. The raising of civil servants' salaries has put many states in a financial bind forcing some to borrow to meet the new mandate and others to cut back on planned capital expenditures. The governors, especially those of the "new generation" who are intent on making their mark, have made it clear to President Obasanjo and the federal government that they expect an increase in the percentage of the Federation Account allocated to the states. In response, both the President and the Vice-President stated in June 2000 that the federal government was ready to recommend an increase to the National Assembly. Proposed changes to the allocation formula made by the National Revenue Mobilization, Allocation and Fiscal Commission and endorsed by the federal executive assign 41.5% to the Federal Government, 31% to the States, and 16% to the LGAs, 7% to the UBE, FCT 1% and 3.5% special funds. The National Assembly is expected to pass this formula early FY 2002. [11]

3.10 In sum, while the formal division of powers between states and the federal government remains to be determined, there is clear drift towards devolution with respect to the allocation of the Federation Account.

B. Political Leadership Institutions

3.11 As discussed in the previous section, a distinctive feature of political leadership at the state level - perhaps the most distinctive feature - is the emergence of a "new political generation" of leaders. The most prominent members of the "new generation" appear to be heavily concentrated in the executive branch of the states. Very few are members of the state houses of assembly, or chairmen or councilors of local government authorities. Indeed, the quality of leadership, experience and sophistication of these officials is generally low, although there are some exceptions.

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[11] In anticipation of such a rise, we found that at least one state (and no doubt others) based their FY01 budgets on the expectation that the state allocation of the federation account would rise to 32 percent. Needless to say, the absence of any raise to date has posed budgetary problems for this state.

State government in Nigeria, like the federal government, is organized on the basis of what Nigerians call "the presidential model"— a governmental structure where the head of government, i.e. the head of the executive branch, is directly elected by all voters of a state or local government area. Similarly, commissioners, i.e. cabinet ministers are not elected members of the state house of assembly (i.e. the state legislature), but are appointed by the governor from outside the legislative branch. Given the paucity of talent in the state legislatures, the result is both a formal separation of powers between the executive and legislative branches, and the concentration of power in the hands of the governor and his closest appointees. This is particularly true where the governor is a talented leader of the new breed who has surrounded himself with a "brain trust" or inner circle of professionals on whom he can rely.[12] This distribution of power and the capacity for governance further explains the rising importance of the states *vis* a *vis* the federal government. It also explains the importance of the states *vis* a *vis* local government, and the importance of the governor as the most important actor/decision-maker within the states.

3.12 In the previous section, it was suggested why the best and the brightest of the "new generation" of leaders have devoted their efforts to the capture and improvement of government at the state level. It is not clear, however, why the LGAs have not attracted a better pool of political leaders, and especially aspiring and younger leaders to their ranks. Local government often serves as a stepping stone to higher elected office, but this has yet to lure a better pool of talent into local government ranks. One frequently heard explanation is that at the time of Nigeria's return to democratic rule, the elections for local government officials were the first of the sequence of elections held at the local, state and national level between December 1998 and February, 1999. As such, the time required to recruit quality candidates was relatively short, political parties were still setting up their structures, and the most promising candidates focused on elections at the state or national level. Those who advance this explanation consist mainly of senior officials at the state level. Most tend to view local government chairmen skeptically and believe that between half to two-thirds of incumbent LGA chairmen will not gain re-election at the next local government elections tentatively scheduled for 2002. They also suggest that a large number of chairmen will be denied their party's re-nomintion, because party leaders regard them as liabilities who will drag down the entire ticket. Several governors of the new breed indicated that they would "not stand in the way" if their party nominated a stronger candidate in place of the current chairman. These same governors, however, are likely to support the re-nomination of LGA chairmen who have

[12] The presence of such a "brain trust" or inner circle was clearly apparent in Bauchi and Rivers states and possibly in Ogun. The group invariably consists of individuals typical of what we have termed "the new generation" of political leaders—people of relative youth, superior education, experience in the private sector, and most important, a pragmatic attitude towards politics and the desire to "get things done" and "solve problems." The inner circle does not necessarily consist of all members of the governor's cabinet, but invariably includes the secretary to the state government who is the chief aide to the governor. Governors who have created such a group of advisors are in constant communication with its members. Thus, in the case of Rivers State, the governor keeps in contact with the secretary to the state government and key commissioners via cell phone. Cross River State also conforms to this pattern.

been active in promoting development within their areas, and who have supported the governor's agenda at the state level.

3.13 The relationship between state and local government is thus mixed. Some governors believe that it is their duty to exercise close oversight over the operations of local government. Others believe that the LGAs are a constitutionally separate tier of government whose autonomy should be respected. Still others leave the LGAs alone, because they do not wish to be associated with the poor performance of these bodies. A more detailed discussion of the local government authorities follows in the next section. As previously noted, the relationships between the governors and the state houses of assembly are also unequal. The quality of leadership in the assemblies is probably better than that found in local government, but most legislators are less knowledgeable about public policy compared to the governors, commissioners and leading civil servants. This is particularly true in respect to issues of budgeting and basic economics, but the generalization is also valid in respect to most other areas of public policy. Whereas commissioners and leading civil servants in the executive branch become specialists in specific areas of policy, e.g. education or health, most legislators appear to remain generalists and lay observers. Discussions by the research team with senior members of the houses of assembly in three states and nearly all members in two, suggested the following about the day-to-day work of these bodies.

3.14 With few exceptions, the relationship between the legislative and executive branch, though unequal, is cordial and friendly. This is because most governors, and particularly those of the new generation, were sensitive to the fact that in the context of "the democratic dispensation," the legislature does have an oversight role *vis a vis* the executive branch and cannot be ignored. Savvy governors thus work closely with the speaker of the house of assembly and with the leaders of the majority and minority parties. They also reach out across party lines.[13] In some states where resources were plentiful and others where they were less so, governors provided substantial perks to legislators, including the use of official vehicles, to insure a good working relationship with members of the legislative branch. Equally important is the approach of several governors regarding the location of various development projects such as roads, electricity service, hospital rehabilitation or the distribution of subsidized farm equipment such as tractors and tillers. In most cases there is a clear choice "to spread development around" so that every local government area is the location of at least one capital project. This wins friends for governors both among members of the houses of assembly and local government officials, but it also creates pressures for increasing the capital budget to unsustainable levels, a problem discussed later in this report. Governors in some states

[13] A good example of how a governor can avoid "trouble" through this practice is with respect to the issue of Sharia law in several northern states. The demand for Sharia has usually come from members of the legislative branch who have been approached by religious leaders desiring the introduction of Sharia. Governors have realized that because the demand for Sharia is popular within some elements of the population that it would be political suicide to ignore legislatures advocating the introduction of Sharia. They have thus reached out to negotiate a state law on Sharia that both satisfies proponents while allaying the fears of those opposed to the practice.

may deny projects to areas controlled by opposition parties, but that was not the approach in the states visited for this study. On the other hand, governors are less inclined to "spread" development to areas represented by legislators who constantly challenge their policies or by local government chairmen that do same. Denial of public works projects, where it occurs, is thus more likely to be a function of individual relationships than considerations of party. In one site the team was shown a subsidized tractor scheme which served particularly vulnerable to patronage allocation. However, until the wage bill has been brought back into balance with the rest of the budget, following the salaries and allowances increase of 2000 and the subsequent softening of the oil price, governors are pressed to maintain payments on existing projects, let alone start new ones.

Providing Security Through Vigilante Services?

The most basic service expected from all governments is the provision of security. During the 1990s, crime levels reached new highs across Nigeria as police services declined and became increasingly corrupt. The containment of crime is thus an issue that resonates with the public, and a sure vote getter for governors who do so.

Under Nigeria's constitution, the provision of police services rests exclusively with the federal government. Several governors have nevertheless created special organizations to fight crime. These include the Swift Operations Squad or SOS in Rivers State, the Anambra Vigilante Services (AVS) and the Bauchi State Vigilante Services (BSVS). None of these organizations are officially labeled as "police" but all are publicly financed agencies for the purpose of reducing crime. Some, such as the Anambra Vigilante Services have been established after the passage of legislation by the State House of Assembly. These organizations appear to be effective though few statistics are available about the changing rates of crime by category. They are generally praised in the press, and get high marks from citizens who claim crime rates have fallen in their communities. That said, little is known about the methods of these organizations, who they answer to, and whether they are susceptible to being used for political purposes.

The most formal organization encountered during the study is the Swift Operations Squad (SOS) in Rivers State. The SOS is a special squad of the state police force. Its members wear typical police uniforms and patrol Port Harcourt and its environs in marked cars. The governor of River State is proud of the SOS. He claims that the Squad's response time to reported crimes is down to roughly 10 minutes and will soon be reduced to 7. He also claims that crime had been significantly reduced and cited new investment in Port Harcourt as indirect evidence of this fact.

The Anambra Vigilante Services, popularly known as the "Bakassi Boys" and recruited from a private security squad organized by traders in Abia State, is the most controversial of the state security services. The governor of Anambra State recruited the AVS after armed gangs in the Onitsha market area threatened to disrupt the economic hub of his state. Before the arrival of the AVS, citizens and traders were afraid to go to the market. Today, one can reportedly leave a wallet or handbag in the street and return hours later to retrieve it. The Bakassi use unorthodox methods to achieve such "results," including harsh interrogation of suspects and the dispensation of instant justice. In March 2001, a leading member of the AVS was arrested by federal police for allegedly attacking the political rival of a local government chairman. Notwithstanding these practices, the Attorney-General of Anambra state claims that no charges have ever been brought before the courts involving an AVS member. The governor regards the formation of the AVS as one of his major achievements.

The Bauchi State Vigilante service was also established by the governor of that state to bring down banditry on the main highways to and from Bauchi town. He provided the force with two dozen Toyota pickup trucks to facilitate their transportation to observation points along the affected highways and issued them with weapons. The force is under instructions to deal quickly with suspected carjackers, and the governor is proud of their apparent success in doing so.

3.15 Notwithstanding the efforts by governors to maintain a friendly relationship with members, most legislators are unfamiliar with the details of public policy, because the executive clearly marginalizes their participation in the formulation of policy. The view by most governors appears to be that the executive proposes and the legislature disposes— that it is the proper role of the governor to be the initiator of the policy-making process. This is particularly true with respect to the budgetary process, an approach consistent with what was first introduced to Nigeria by the British when the country was under colonial rule. The role of the legislature is thus reactive rather than proactive. Virtually all legislation is introduced first by the executive. Private members bills are non-existent or few and far between. That said, few houses of assembly are rubber stamps. The leaders of those visited for this study, stated that their legislatures had amended bills presented by the legislature though this practice was clearly more frequent in some states than others. Most legislatures also tinkered with the annual budget by reallocating funds from one ministry or program within a ministry to another. Some have also increased the overall size of the budget thus creating the potential for deficits, and repeating at the state level the loss of capital budget coherence seen in the past two years at the federal level.

3.16 Most houses of assembly are ill-equipped to play a greater oversight role *vis* a *vis* the executive or provide greater input to the policy-making process. The committee systems in virtually all of the legislatures visited for this study are underdeveloped in so far as they are limited to the standing committees introduced by the British towards the end of the colonial period— the finance committee, the public accounts committee (PAC), the speakers committee and several housekeeping organs. The development of "portfolio" committees that shadow each ministry is contemplated by the leaders of several houses of assembly, but does not appear to be a high priority in most. In this respect, the houses of assembly lag in their development compared to the legislatures in most other African countries that have made the transition to democratic rule since the early 1990s. Many members with whom we spoke complained that the executive in their state did not take the house of assembly seriously when it came to formulating policy, but these same individuals seemed unable to envision the steps that might be taken to create a more effective legislative body. Thus, while the establishment of portfolio committees was desirable in the eyes of some members, the possibilities for this was limited due to a "lack of resources." When, however, it was suggested that such a committee system might be feasible if the house would reallocate its own expenditures and reconfigure its staff—which frequently numbered from between 100 and 200—there was no thoughtful response. It is therefore likely that the legislative branch in most states will remain relatively weak until such time as its members seize the initiative to change their by-laws and reorganize their respective operations.

3.17 While most houses of assembly are dominated by one political party, all of the houses visited for this study had members from opposition parties. That said, the distinctions between parties are few. There are no systematic differences of policy between the major parties, i.e. PDP, APP and AD, in the states visited for this study. This finding is consistent with the pattern across Africa where parties tend to form around local and regional communities of interest rather on the basis of economic interests or class. This is in turn a function of the fact that Nigeria, like the rest of Africa, remains a predominantly agrarian society despite the rapid growth of its major urban areas in recent years. The absence of significant differences between parties blurs the distinction between "government" and "opposition." At the same time, this situation facilitates the existence of working relationships across party lines and probably explains why the relations between parties within the state houses of assembly visited for this study are generally good and why the governors of these states maintained good relations with legislators from the opposition. The centrality of locality and communities of interest further explains why governors try to "spread" development to every corner of their states.

3.18 There are virtually no women members of the state houses of assembly, at best one or two. Here again, the legislative branch at the state level lags behind developments in other African countries, where a small but significant number of women professionals have managed to take advantage of the return to democratic rule. The absence of women legislators is also in direct contrast to the presence of a significant number of women at the highest levels of the state civil service across southern Nigeria. While this pattern was not evident in the North, women are to be found as permanent secretaries of key ministries in the South, as well as holding positions as deputy Permanent Secretary, heads of department, auditor-general, and director of public prosecutions.[14]

[14] The one exception encountered by the team was a highly professional accountant-general in one of the northern states.

IV. THE MACHINERY OF STATE GOVERNMENT

A. The State Civil Service

4.1 The public service in each state actually consists of four separate schemes of service, each of which is recruited by its own state board—the state civil service which is recruited by the state civil service commission, the local government civil service which is recruited by the state local government service commission, secondary school teachers who are recruited by the state secondary school board, and primary school teachers recruited by the state primary education board. The discussion that follows is concerned only with the state civil service which is responsible to the Head of the Civil Service. Depending on state law, the civil service for local government is responsible to the state Local Government Service Commission, and/or to individual local governments if they are junior staff. A brief discussion of the local government civil service is found in the next section.

4.2 A development strategy that calls for the state to fulfill its service delivery responsibilities and to create the conditions for a thriving private sector and regulate it requires a well functioning civil service. What is the capacity of the states' civil services, emerging from a long period of military rule, to carry out these tasks? And if capacity is deficient, are reforms under way or envisaged which will create a well performing civil service in the future?

4.3 It is clear that in all states a great deal of damage was done by the military to the fabric and structures of the civil service, and that this damage needs to be repaired if the direction given to state governments by new leaders is to be institutionalized. Traditional values of public administration were destroyed, merit took second place to patronage, confidence in a career service was shattered by arbitrary dismissal, and weakened civil service commissions were powerless to prevent the disregard of staff rules. Instructions from the top replaced the two way dialogue between officials and politicians on policy, scarcely helped by the practice of rotating military men through governorships with little knowledge of the conditions in the state and little commitment or interest in its development. With excellence unrecognized, public servants sought to avoid mistakes and survive. As macroeconomic conditions in the final period of military rule deteriorated, pay and conditions of civil servants plummeted. Professionals left the service for the private sector, and those who remained developed alternative stratagems to augment meagre incomes. With large scale looting of state assets by the military leaders, petty fraud and corruption at the bureaucratic level became systematized at all levels of government.

4.4 While this describes in broad terms what happened, the experience was not uniform. Some states, such as those which were the administrative heartland of the former regions or older states (e.g. Ogun and Rivers), appear to have been more successful in resisting patronage driven expansion and the erosion of skills and standards. More recently created states, especially if carved out of a larger existing one, generally received a disproportionately smaller share of managerial and professional staff with which to establish a new machinery of state government.[15]

4.5 States also appear to have had different experiences of expansion and contraction during military rule. The average size of a state public service is around 20-25,000, including teachers and parastatal staff.[16] But there appears to be considerable variation around the average. Ogun State has a total of approximately 17,000 public servants.[17] Borno State, reportedly, employs some 35,000 and is clearly grossly overstaffed. A related question is question the accuracy of state staffing data. In most states staff audits have been carried out, both under the military (which at times thought that public services were too big while simultaneously using them as patronage instruments) and with the return to civilian rule. Typically staff audits have been based on "pay parades", in which staff have to present themselves in person, together with their original appointment letters and identification documents, to get paid. As a result, states believe that their payrolls and staffing records are accurate, and that "ghosts" and improper hires have been weeded out. Some states have sought to strengthen control systems by introducing new ID cards, or computerizing personnel records. The only way to explain the variation in numbers between states, other than demographically, is to assume that employment freezes were applied differentially, and patronage employment varied according to the whim of individual military governors. And when freezes were lifted, some states moved more rapidly to increase numbers than others.

4.6 During President Babangida's tenure of office, a round of civil service reforms at both national and state levels was implemented. Many officials today believe, the steps taken in 1988 left civil services greatly weakened. Under the banner of civil service modernization, key aspects of the tradition structure were changed. The job of permanent secretary was abolished, and that of director-general, a political appointment, created, with some positions filled by incumbents, others by outside appointees. The role of the civil service commission in appointments and promotions was curtailed, and departments were given the authority to recruit directly. Ministers, designated as chief executives of their departments, were made "accounting officers" for financial control purposes.[18] And

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15 Here the principle of allocating civil servants according to their place of origin seems to have worked to the disadvantage of new states. Most experienced officials, whether by rule of indigeneity or preference, managed to stay behind in the original state capital. Even if this benefited older states, the age profile of the civil service became distorted, and for both old and new, the process of splitting up a state civil service was highly disruptive. Indigeneity alone will not ensure a newly created civil service inherit a balanced complement of staff.

16 Teachers are those at state run secondary schools and tertiary training institutions. Parastatals are state government created boards, commissions, agencies, utilities and, to a limited extent, public commercial enterprises. Staff of parastatals are regarded as public servants, and are paid according to scales "harmonized" with civil service scales.

17 The actual number of civil servants proper in Ogun State is 5,152 staff on strength, reportedly only 28% of approved establishment, suggesting that the freeze on new hirings has been applied more rigorously there than elsewhere.

18 This last change, commented upon in a Bank Public Expenditure Review (PER) at the time, radically altered the allocation of responsibilities between ministers and their permanent officials. Traditionally,

there were many arbitrary dismissals of civil servants, often without notice or adequate compensation. With the transition back to civilian rule in 1999, these measures were reversed, permanent secretaries were re-established, and once again made accounting officers, and a clearer line drawn between civil servants and ministers.

4.7 At the state level, as at federal, the traditional powers of civil service commissions were restored, once again accorded statutory responsibility for hiring, promotions and discipline, guardians of the values of a politically neutral civil service. At the same time, the position of Head of the Civil Service was again recognized, with the post filled by a career civil servant, normally chosen by the governor from the ranks of existing permanent secretaries. Appointment and promotions from grade level 01 to grade level (GL) 06 are delegated by the state civil service commission to departmental junior staff committees. GL 07 and above appointments and promotions are made by the commission, though from GL 14 and above this is done in consultation with the Head of Service. Federal character requirements mean that geographic balance in appointments to permanent secretary positions must be sought Other things being equal, there must be someone from every LGA in a state represented at this level. Promotions are on merit, but with due regard for seniority, with minimum grade service requirements specified. Annual staff performance reviews are conducted, increasingly on an open basis, but trait rather than explicitly performance based.

4.8 Another casualty of the long period of military rule was the remuneration of public employees. Older state civil servants can look back to a period when, even if salaries did not match those of the modern private sector, when taken with benefits and the security of a government job, public servants were reasonably well rewarded. All that changed during the military period, particularly the Abacha years which, when they ended, left state civil servants with pay scales so eroded by the collapse of the Naira's purchasing power as to put the majority of them below the poverty line placing them under heavy pressure to augment pay by informal means. By long established practice, salaries across and within tiers of government are "harmonized" with effectively the same scales and allowances operating for civil servants, teachers, parastatal employees and the uniformed branches.[19] The decline of official salaries was, therefore, a universal phenomenon.

4.9 The transitional government of President Abubakar authorized an interim increase in pay and allowances for public servants, in early 1999. But it was left to the new

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ministers are responsible for policy (and thus outcomes) and civil servants for implementation (inputs and outputs). By making the minister the accounting officer the military government overturned the established division of roles, and made civil servants mere functionaries.

19 Save that position for position, state civil servants are a grade level lower than their equivalents in the Federal Government, a bone of contention for state officials who point to the long tradition of state and regional government, and for unions, which argue equal pay for equal work. A director in a state government is at GL16, his counterpart in Abuja is GL 17. Harmonization is supposed to facilitate transfer between state and federal civil services, and a limited amount of this occurs (the Head of Service of one state, the mission found, was a former federal civil servant).

democratic government at the Federal level to make a more significant change, with the 2.5 times combined pay and allowances award, together with a new statutory minimum wage, announced in May 2000. In doing so, the FGN adopted the mid-range option put forward by the National Salaries Commission, acting on a request for a review of salaries made the previous year by the new President. Although the award applied directly only to civil servants, about one quarter of the total number of FGN employees, the long standing policy of pay and benefits harmonization, together with the new minimum wage, caused the scales of the other categories to be brought quickly into line. The combination of high oil prices and the FGN's already large share of the Federation Account, enabled the additional wage bill costs to be absorbed, though it meant a curtailment of releases to the capital budget in order to stay within the fiscal targets the government had agreed in its program with the International Monetary Fund. The concern to control the wage bill triggered a round of staff audits, which continued in 2001, to ensure that "ghosts" were not the beneficiaries of salary enhancement.

4.10 Since the minimum wage is statutorily mandated for all employees, state governments, though they protested the lack of consultation, had no alternative but to reset their pay scales, using the new minimum wage as the first rung of GL01. They did not all do this immediately, and some pared back the new allowances or subsumed them into the minimum wage, but all states effectively followed suit, under the influence of the harmonization policy and union pressure. Local governments were similarly obliged to increase pay and allowances of the Unified Local Government Service in each state, since the pay of local government staff, in turn, is linked to state scales. In this way, a pay award targeted at one quarter of the federal public service ultimately worked through to approximately 15 times that number of public employees. However desirable it was in social terms, the pay increase dramatically changed the fiscal position of states and local governments.

4.11 Shortly after the increase in officials' pay, the National Assembly approved a fivefold increase in pay and allowances of political appointees at all levels of government. This added to the wage bill costs of state governments, but impacted most heavily on local governments, which are less able to bear the cost of a full separation of powers, with a full-time executive and legislature.

B. Improving the Quality of the Civil Service

4.12 As governors go forward with their plans to improve public services and stimulate the private sector, a series of key issues need to be addressed if the desired improvement in the performance of public employees consequent to these goals is to take place. These include the restructuring of the civil service, bringing the wage bill back into balance, capacity building, and imbuing the service with a vision and set of core values to guide its work.

Restructuring the Civil Service

4.13 Bringing the wage bill back into balance with the rest of the state budget raises the question whether state governments as part of their modernization programs need to embark on a major program of public service "restructuring", or to put it more directly, large scale retrenchment coupled with hiring of professional and technical staff to remedy skill gaps. There are strong fiscal incentives for doing so. In the aftermath of the salaries and allowances increases of May 2000 and with the subsequent softening of the oil price, most state governments have little left of their monthly federation account allocations, after paying salaries and pensions (also increased). Other than the better resourced oil derivation account states, the majority are finding it difficult to meet their present wage bill and other statutory charges, and fund a meaningful development program. It thus becomes a fiscal necessity to reduce the share of total revenue taken by wages. Most state governments now have a civil service that they cannot afford at the new scales, even though their revenues have grown sharply since the return to civilian rule.

4.14 Many of the new governors, and particularly those with a private sector managerial background, are questioning whether a labour force so large is needed to deliver state services. Some believe that, with improved methods and better orientation and training, the business of government could be carried out by half the present number of staff. A few state governors have begun, albeit very cautiously, to reduce aggregate numbers.

4.15 The instinct for downsizing is almost certainly correct. Although there has been some reductions, these have tended to be the elimination of improper hires or over aged staff, and many state governments are, in fact, employing more staff than when the military relinquished office.

4.16 Several factors inhibiting them from moving faster with restructuring. The first is the compensation costs of unilateral termination. While unions (principally the Nigerian Labour Congress) are instinctively opposed to downsizing because they lose members, the main constraint is a financial one. Under present separation rules, it can cost more in the short run to separate staff than to keep them on. The relevant statute is the Pensions Decree, 1979, aimed in the first instance at FGN departments and parastatal agencies, but in practice binding on sub-national governments. While the Decree (which consolidates many earlier laws) allows the government to unilaterally separate staff on grounds of re-organization and elimination of positions, it does it at a price. Compensation to a career civil servant for termination before retirement is high. Typically a separated staffer would receive: (i) 3 months salary in lieu of notice; (ii) end of service gratuity between 100-300 percent of final year's salary, depending on years of service; (iii) for those aged 45 or above, immediate pension payments which could be as much as 75 percent of terminal salary.[20] Bureaucratic inertia is another reason why the region restructuring has been slow to begin.

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[20] Separation as generous as these are not unique to Nigeria, and may be found elsewhere in countries with a similar administrative tradition. They were designed, years ago, to deal with the equitable

4.17 What are the political dynamics of such large scale civil service re-structuring and downsizing? First, it is clear that if skills gaps are to be filled, recruitment cannot be proceeded with until overall numbers have been brought into line with staffing needs. Second, while unions may be vocal in their opposition to any downsizing, in practice a significant number of staff, provided they believe the separation package will be honoured, may be willing to go. The main obstacles are likely to continue to be both fiscal and political. While states need to adjust their staffing levels if there are to modernize and improve performance, few can afford to do so since the total cost of separation exceeds the wage bill savings for several years to come. This means that unless they can obtain concessional external assistance and/or additional Federation Account funding, most states will be unable to go forward with serious restructuring of the civil service. There will be no room to hire the new skills required by states, nor to adequately fund non-wage operating costs. And as government has become the primary employer in many states, separated staff would find it hard to final formal sector employment outside of government. The second is politics. Across Africa there is considerable resistance to retrenchment. However, this seems particularly pronounced in Nigeria, in part because early rounds of downsizing under the military were handled so arbitrarily, in part because there is a general belief that with oil revenues Nigeria can afford to maintain a large public service, and in part because many opinion leaders in Nigeria still adhere to the paradigm of government led development.

Harmonization of Salaries?

4.18 A second major issue for the public service in the states is whether to continue the tradition of the past four decades of uniformity of systems and practices between states and across tiers of government. At the moment the extent of uniformity across systems of public management is considerable, and exceeds most other federal countries[21] In personnel matters, pay scales, civil service rules, schemes of service, structure and functions of civil service commissions are common across states, LGAs and the federal government. In planning and budgeting, formats and call circulars are uniform, likewise with tendering rules.

4.19 There are advantages in common systems, with each state drawing from a uniform model, training can be standardized, and staff can transfer between governments without having to learn new procedures. But there is also a cost, chiefly in terms of low capacity for change, and the high risk of preserving outmoded paradigms of public management. Also, uniformity in areas like pay scales imposes financial burdens if the national labour market is differentiated, as is almost certainly the case in Nigeria. The remuneration

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separation of individuals from a career service, not the type of large scale retrenchment now deemed necessary for public services that lost control of their establishments due to unwise decentralization of appointments and patronage.

[21] With the possible exception of India, where uniformity is reinforced by the regular rotation of a common administrative elite, the IAS, between states and the Government of India in Delhi.

needed to recruit, retain and motivate a competent professional in Lagos or Port Harcourt may be quite different to Bauchi or Sokoto.

4.20 This report does not propose the abandonment of all commonality. Rather there should be a discussion between states and the federal government of the suitability of existing rules and procedures and the merits and demerits of harmonization, relaxing requirements and permitting experimentation where appropriate, and reinforcing basic principles where this is necessary. The issue is to determine the areas where the public sector framework must be common, and where it can be flexed.

Capacity Building

4.21 If public service capacity is to be rebuilt, a serious investment in training needs to be made. Although many states have conducted reorientation workshops for staff to help them understand how democratic governance requires different performance from officials, in most states existing civil service training structures remain run down and

> **Should States Move in Lockstep with the Federal Government In Public Management Reform?**
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> Traditionally, state governments have moved in lock-step with the federal Government in civil service and financial management matters. Just as salary scales are harmonized across the Federal Government, so they are common, with minor variations, across tiers of government (though with state officials, job-for-job, notched in at one grade level down). Budget formats, accounting standards, procurement regulations, and personnel rules all bear a common imprint. The assumption is that when the Federal Government changes, states will follow suit, and not before.
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> Need this be so, where might slack be cut for variation, and when should standards be common? While identical systems assists staff transfers (such as sending state officials to the FGN to inspire the state's representation in the federal government) national training programs, and common reporting, the follow-my-leader philosophy inhibits experimentation and reform. Governors chafe at a FGN salaries increase last year, adopted without consultation, which they had little option but to follow, though it threw many state governments into a wage bill crisis. Appreciating that responding to their electoral mandates requires public service modernization, some are pressing ahead with reforms faster than the FGN. And constitutionally, states are separate, with their own public service commissions and auditors-general.
>
> There is a growing case for looking afresh whether states must continue to operate as bureaucratic replicas of the federal Government. In some areas, such as budget classification systems, accounting standards and fiscal reporting, commonality should be retained. In others, such as staff rewards, machinery of government and service delivery methodologies, there could be room for individual experimentation.
>
> The experience of other federal countries supports this. While Germany retains a harmonized salaries structure for federal and state civil servants, cost of living allowances differ by location. India traditionally has operated common bureaucratic rules and salary scales, but now encourages progressive states to experiment with public management reform. In Australia, where states preceded the Commonwealth, there has never been a policy of harmonization. And in the United States, with considerable variation in organizational forms, budget systems and pay arrangements, governors would rise up against federally imposed systems. States, however, voluntarily subscribe to common reporting norms, and watch each others' performance closely, and are quick to replicate public management innovation.

poorly equipped. Federal institutions, such as the Administrative Staff College of Nigeria (ASCON), themselves are only beginning to emerge from a similar period of neglect and inadequate funding, though they are beginning to re-establish links with state civil services, and offer training proposals. In the past, when resources were more plentiful, many staff were sent for training overseas, and a resumption of this practice is eagerly awaited, though for other than highly specialized needs, overseas training is probably not cost effective. What needs to happen is for state governments to develop a staff capacity building strategy and begin implementing it with more resources and energy than has been the case hitherto. One priority could be the rehabilitation of state civil service training institutions (as is happening in Ogun and Cross River states). Another would be the contracting out of critical training modules to federal level institutions, such as ASCON, with the requirement that they develop relevant training material and train trainers, making follow up visits to ensure gains are being consolidated. Although there will be pressure within the civil service to send staff away for degree and diploma courses, the likelihood is that much shorter, single topic courses and workshops will be more effective. It would be necessary to look at present funding levels for training, to see what increases need to be made, and a decision taken whether budgets should be given to departments or to suppliers of training.

Instituting a Vision and Core Values

4.22 The fourth and in many ways the most difficult issue to resolve is the type of public service that states are trying to create. Here government is being pulled in two different directions. To many senior civil servants, and especially to those retired officials who the civil service commissions of some states, the goal is to return the service to the standards of public administration enjoyed before military rule, specifically to the rule bound certainties of the days of the regional administrations. Restored discipline, adherence to standards and respect for process, are the watchwords of civil service commissioners.

4.23 Governors, and especially those of the new breed with a private sector managerial orientation see the goal of civil service reform differently. They believe that they could run the state with half the number of employees, and want a compact civil service that is more responsive to citizen needs and results oriented. They are distrustful of a rule bound civil service, and unwilling to delegate too much authority to it, and thus place their political fortunes in its bureaucratic hands.

4.24 Can a common approach which blends the best of these two perspectives emerge from these different visions? Most likely yes, but a way will have to be found to combine the most appropriate features of both paradigms. After a long period of military government, there is no alternative to rule bound government. Rule of law in a democratic framework means executive governance operating within a clear set of constraints. This in turn this means setting and following rules for bureaucratic activity - making and implementing budgets, procuring transparently and competitively, accounting consistently for revenues and expenditures, following up on audit findings, and managing the government's employment contract with staff by standards that protect against arbitrary dismissal, foster continuity in administration, encourage performance, and allow officials to "speak truth unto power" when the occasion requires it.

4.25 Whatever its attractions, there is in fact no practical road back to a "golden age", imagined or real, of public administration in Nigeria. States which wish to build capacity in their public services need to find ways which restore rule bound administration while at the same time promoting a more responsive service than almost certainly was the case years earlier. Individually, states need to debate the way forward, working out what this implies for the management of the public service, and incorporating this in both new institutional arrangements and in capacity building efforts. Most likely this means a careful review of existing rules— financial instructions, tender and stores regulations, accounting circulars, general orders, rules on conflict of interest, records management and access to information rules, and guidelines for ministers and the operation of cabinet systems. Much of this will be restating standards, but also modifying rules in the light of present day conditions, modern technology, and governance goals, including responsiveness to citizens in service delivery, transparency in government processes, the rewarding of good performances, and in addition to the proper stewardship of public resources, a concern for outputs and outcomes achieved with them.

C. Budgeting and Financial Management

4.26 For the new leadership in the states, the budget, with its associated processes of planning and financial management, is the central instrument for making resources available to implement the policies and programs they have been elected to deliver. How well do these institutional mechanisms work? Are they effective in translating policies into outcomes? Is there capacity to operate them, and do methodologies have to change?

The Budget System

4.27 The most striking immediate feature of budgeting and financial management systems at the state level in Nigeria is their commonality. States all operate a similar dual budget/public investment program planning and budgeting model, unchanged for decades.[22] Each state tries to produce each year a Rolling Plan of capital projects, according to guidelines issued by the National Planning Commission in Abuja, and each has its annual budget divided into two parts: a recurrent budget and a capital budget. The

[22] The CB/PIP model, found in many other countries in Sub-Saharan Africa but not in the OECD, takes the form of separate Recurrent and Capital (or Development) Budgets, with the latter determined with respect to a three to five year Public Investment Program, which is rolled forward each year. In Nigeria's case, both at the Federal and States levels, this is the Rolling Plan, the first year of which should map with the annual Capital Budget. In many countries (and at the FGN level) the Capital Budget is chiefly the responsibility of a planning commission, and separate call circulars are issued. The CB/PIP model goes back at least four decades, and was evolved as a tool to plan and budget for an expansion of government functions, consistent with the paradigm of the state playing the leading role in economic and social development.

call circulars for both the recurrent and capital budgets are very similar from one state to the next, with a timetable for budget preparation and scrutiny, and with priorities being indicated in broad terms. Ceilings, however, are not imposed by the Budget Department on line ministries at the start of the process. Like the FGN, states operate, as a constitutional requirement, a Consolidated Revenue Fund, and the rules for financial management and accounting are common. Each state has a State Auditor-General, with a common mandate and methodology.

4.28 How do these systems operate in practice, across the states? On the revenue side, the characteristic that most strikes the reader of government budgets is the low contribution of state generated revenues relative to total revenues. In most states (Lagos State being the main exception) by far the largest source of revenue is the transfer from the Federation Account, which may amount to as much of 85 percent of current revenues. Federally collected VAT comes second, with internally generated revenue (IGR) third. Since there is no centrally operated revenue stabilization fund, and all variations in oil receipts are currently passed directly through the Federation Account, this entails a great deal of variation from year to year in state government total revenues. Following the return to democracy, revenues were buoyant and ambitious rehabilitations and new capital projects were launched. More lately revenues have fallen with the softening of international oil prices. With so large a portion of revenues outside state control, this leads to considerable unpredictability in budgeting, and if budget performance is to be improved states will have to learn to managed the risks of revenue fluctuation better. This means holding back when spending revenues boom, and being more selective in the capital schemes embarked upon, and using debt prudently to bridge temporary shortfalls.

4.29 On the expenditure side, traditionally, the recurrent budget has been a salaries budget. While it makes provision for statutory outlays like debt service and constitutional offices, the bulk of provision is for personal emoluments, leaving only a relatively modest amount for departmental overheads. The capital budget, on the other hand, is a projects budget, politically much more important to ministers and to members of the legislature who see it as the primary vehicle for achieving the political goals of the government of rehabilitating social and physical infrastructure, and for extending services like power and water to rural communities. Typically, therefore, capital budgets contain a mix of spending categories: new construction, rehabilitation and deferred maintenance, equipment maintenance, and operating costs.

Adapting the Budget System as Political Priorities Change

States in Nigeria, as with the Federal Government, hew to a long established Anglophone Africa tradition of dual budgets – separate recurrent and capital budgets, each with its own call circular and appropriation bill. At the Federal Government level, preparation of the capital budget has been the joint responsibility of the Federal Ministry of Finance and the National Planning Commission. In theory, mechanisms exist to ensure recurrent and capital budgets are linked, and that the incremental operating costs of investment projects can be supported by future recurrent budgets. In practice, this has broken down, and capital budgets have become, in part, substitute recurrent budgets, blending new investment, rehabilitation and running costs.

At the states level the recurrent and capital budgets tend to be prepared in the same department, but separate call circulars are issued, and line ministries respond as it they were separate processes.

For the moment publishing a separate capital budget suits governors whose focus is on new investment schemes, and rehabilitating existing social and physical infrastructure. Capital budgets resonate well with legislators who want to see what projects the governor's budget will bring to their constituencies. But once this phase is over, civil service modernization gets underway, and attention shifts to the effective operation of existing services, governors may find the dual budget structure an anachronism. It fosters "investment led budgeting" at a time when the marginal Naira may best be spent not on perpetually expanding unmaintainable structures, but in ensuring that the right balance is struck between efficiently funding existing operations and meeting demands for service expansion. Dual budgets are one of the reasons for the overhang of incomplete or collapsed projects which currently litter the public sector landscape.

In all the states covered by the study, governors were energetically pursuing a large portfolio of capital projects (e.g., roads, rural electrification, schools, hospitals) with only secondary consideration to future running costs. As governors seek a more performance oriented state public service, they would do well to move from a dual to a unified budget with a single call circular and spending ceilings, which encourages departments to confront the trade-offs between adding to fixed assets and operating existing structures and services more effectively.

4.30 On entering office mid-way through the financial year in 1999, most governors inherited conservative budgets, often with large gaps. With oil prices recovering, feeding through as increased monthly Federation Account allocations, and the wage bill limited by the still very low official salary scales, governors had the cash flow to pursue an aggressive development program, once initial arrears of salaries and related payments had been discharged.[23] This state governments quickly embarked upon by passing supplementary budgets in FY99, significantly increasing the capital budget provision, and launching a more comprehensive and ambitious capital budget in FY2000, with the latter typically equaling or exceeding the size of the recurrent budget. Although this left many states with a financing gap, donor agencies were returning to Nigeria and the scope

[23] Many governors in their first budget speeches reported inheriting salary and pension arrears of many months on coming into office, together with arrears to contractors, and took credit for rapidly coming current with such payments.

for borrowing on domestic capital markets by state governments was increasing.[24] Furthermore, there was growing confidence that the states' share of the Federation Account, set at 24 percent, would be increased. Backed by their legislatures, state governments awarded contracts for new and renovated roads, schools, hospitals, water supplies, and rural power, in additional to other, more mundane schemes, such as government housing and office renovation.

4.31 On the face of it, this strategy appeared to be working for the first year of the new dispensation with some governors playing a very hands-on role in project supervision with frequent spot visits. There were always question marks whether such an ambitious capital program could be sustained in the long run, as operating costs caught up, but for the present the argument was made that with the bulk of spending on the rehabilitation of existing structures, few additional operating costs were being incurred. However, in May 2000 the outlook dramatically changed, as a result of the approval by the FGN of a new national minimum wage of N6,000 per month, and a 2.5 times civil service pay and allowances increase. For the reasons explained elsewhere in this chapter, this award not only multiplied itself across the FGN, but also was passed down, protests of non-consultation notwithstanding, to subordinate tiers of government. Shortly afterwards, the National Assembly approved a fivefold increase in the pay and allowances of political office holders, and this further strained budgets, particularly so at the LGA level.

4.32 While the oil producing states, in varying degrees, had the resources to meet the increased wage bill costs and maintain development programs, states without this additional income were thrown into fiscal crisis, made worse if their starting point was an already bloated public service (a syndrome, particularly, of Northern States). There was some temporary amelioration of the crisis in the first quarter of FY2001, when, under pressure from governors, the FGN released excess oil revenues which had been sterilized under Nigeria's Stand By Arrangement with the IMF. But this was temporary, and allocations from the Federation Account fell back again in April, Many states appear now to be barely able to cover their monthly wage bills and associated recurrent budget commitments, such as pensions and debt. With what remains they are juggling payments to contractors as best they can, to keep development programs running. As a result arrears are re-appearing, and, although there seems to be no consolidated data, some states are borrowing short term from domestic banks or entering into financing arrangements with contractors. For different reasons, both are unsustainable practices. There is growing concern at the Central Bank and in the Federal Ministry of Finance over the irresponsible borrowing practices of some states. With only a few states publishing up to date accounts and financial statements, reliable data on total state liabilities are not available.

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[24] Under present rules states cannot borrow externally on commercial terms and must obtain the permission of the FGN to borrow concessional funds from international institutions. No such restriction exists for borrowing internally, though the FGN must be informed.

4.33 What, then, needs to be done to restore balance in the finances of state governments? The most immediate step, and the one currently pursued by governors, is to increase the states' share of the Federation Account to one more commensurate with their functions and to explore whether the first charges on Federation revenues need to be so numerous or so large. Governors are generally confident that the required shifts can be made, and there is some evidence that the FGN has been exploring alternative shares. However, it would be a mistake to assume that an increase in states' share of the Federation Account to, say 30 percent or even higher (as currently before the National Assembly), would put state finances back on a sound footing without some corresponding improvements on financial management, and adjustment in spending program on the states' part.

4.34 In the first place, pay for certain categories of public employees, whilst vastly improved, remains below the level needed if state governments are able to compete in markets where technical and professional skills are in tight supply. Furthermore, since the May 2000 FGN award (and not unrelated to it), inflation has gathered pace, and union demands for a further adjustment are becoming more vocal.

4.35 Secondly, as many governors realize, most state civil services, even after stripping away ghosts and improper hires, remain overstaffed, testament to combined effects of military patronage, additional hiring by new governments, and unchecked organizational growth and mandate creep. Functions have been added, but few taken away, and Heads of Civil Services lack staff skilled in inspecting existing staff complements and screening new hiring proposals. Modernization of public services will inevitably entail substantial downsizing, as well as recruitment of new skills. With states bound by the same generous separation terms as the FGN, the budgetary cost will be high, exceeding the short run wage bill savings.

4.36 Third, it is possible that in return for acceding to an increase in the states' share of the Federation Account, the Federal Government, faced with a sharp diminution of its own revenues, may seek to transfer program funding responsibility to states. Thus accompanying more resources will come additional responsibilities. Furthermore, with a sharp fall in oil prices in the past year overall revenues flowing into the Federation Account are likely to remain below what they were when governors began expanding their spending commitments.. This makes it even more important that, in addition to rightsizing staffing, states take a critical view of their policies and programs. While some of the purposes for which budgetary funds are present being committed are sound, others (such as investment in directly productive activities, subsidies and staff housing) are more controversial, and, arguably, belong to a earlier paradigm of the role of the government, need their justification examined afresh.

4.37 Fourth, there needs to be a consolidation by states of borrowings and arrears arising out of the wage bill shock, and plans made by states, as appropriate, for orderly debt servicing and arrears reduction.[25]

4.38 There may also need to be changes in budgetary processes, in at least two respects. In the first place, it is not clear how much assistance state governments receive each year from the center in the estimation of future Federation Accounts flows. Most governments constructed their FY2001 budgets on the assumption that Federation Account revenues would sharply increase. While this happened initially, the trend reversed itself later in the year, creating a large gap between spending plans and resources. This argues for a joint assessment by federal and state government representatives of the methodology used to forecast revenues. Secondly, state governments, like their federal counterpart, are long time practitioners of the dual budget/PIP planning and budgeting model. As long as the focus of governors is on rehabilitation and new projects, the dual budget model seems to fit political requirements. But over time, as governors broaden their emphasis beyond capital spending and become concerned about the efficiency with which existing services are delivered, there will be a need to assess budget models. This might entail abandoning the dual/PIP model, which is dynamically expansionary, in favour of one that encourages trade-offs between additional capital spending and better resourcing of existing programs. It is hard to see how sufficient emphasis can be given to improving service delivery when budget incentives remain biased towards capital spending. Progressive states should be allowed the freedom to develop more unified budget models[26].

Modernizing Accounting in Sokoto State

Under the leadership of its highly professional Accountant-General, Sokoto State is ahead of other states in the computerization of its accounts. Using commercially available software adapted to the state's chart of accounts, the Accountant-General's department logs payment vouchers submitted by spending departments and records cheques issued on a daily basis. This is integrated with revenue receipts, information on centrally paid salaries, and returns on monthly releases for overheads, to provide the Commissioner for Finance and the Governor with a statement of the State Government's budget position as of close of business daily. In no small measure this has contributed to the tight fiscal management, relative to other states, operated by Sokoto. So much so that interest is being shown in Sokoto's accounting system by other states and by the Accountant-General of the Federation. The next step in developing the system is to extend it into the main spending ministries, which are being encouraged to get staff trained.

[25] States could usefully also regroup their budgets, bringing back into the RB items of a current nature that have been carried in the CB. Budget officials of one state maintained that three-quarters of maintenance spending took place under the CB.

[26] The FGN's interest should lie first and foremost not in uniformity of budget process, but whether fiscal reports employ common classification standards, which could be done equally with unified budgets.

Procurement

4.39 After meeting the payroll and debt servicing, the bulk of state budgets is spent on public procurement, ranging from the purchase of office supplies to contracts for major public works. The effectiveness of public procurement practices is therefore critical to state governments achieving their political objectives.

4.40 Procurement practices now followed in states have their origin in procurement regulations which go back many decades, and are common across states and the Federal Government.[27] But current practice also reflects the political pressures on governors. Faced with the huge task of rehabilitating roads, water supplies, schools, hospitals, not to mention additional services, governors are under pressure to show results if they desire re-election. But they must do this against the background of eroded capacity in technical departments. With few professional engineers, architects and quantity surveyors, the state government's ability to prepare designs, screen and register contractors, award and supervise contracts is limited. Most states, too, are littered with abandoned projects, the consequence of unqualified and dishonest contractors walking away with large mobilization payments in their pockets, too often with official complicity. In the past year an additional constraint has been the tight financial position in which states without oil derivation revenues have found themselves, following the pass through of the FGN's May 2000 salaries award and the subsequent softening of oil prices. State governments which had earlier launched ambitious development programs have been left with contractual commitments to meet with a severely diminished cash flow, after paying wages. In addition, state governments often come under pressure from members of the legislature to award contracts to constituency firms.

4.41 This has resulted in a highly centralized approach to public procurement and contract management. Procurement rules allow for three methods of tendering: (i) competitive, (ii) selective tendering, and, (iii) negotiated. The most common is selective tendering, typically with 3-5 firms invited to bids, and not necessarily the lowest chosen. There will normally be an engineer's estimate accompanying the listing of bids, but the choice of tender will not necessarily be the technically recommended one, nor the lowest. Sometimes there will be negotiations after tender opening, on grounds of improving the prices to the government. Where departmental engineering capacity is low, contractors may be asked to bid on a turnkey basis. What is striking about state practice is the extent to which the process is concentrated in the hands of the Governor and the Executive Council.

[27] These date back to stores and tendering regulations issued in the case of the FGN by the Minister of Finance under the Finance Management and Control Act, 1958, and through similar rules issued by the three regional governments. Each state will have its own tender regulations based on the FGN model. In some cases it will be a 20 year old document, with bid thresholds updated by circular, in other cases (e.g., Cross River) new regulations have been issued.

4.42 Taken together with similarly low threshold controls on payments, this results in a highly centralized, perhaps even personalized, system of public procurement. On the positive side, contract performance has generally improved as a result of a greater concern for project outcomes. Abuse of mobilization payments has been reduced, bid bonds are now sought on a more regular basis, and there is greater transparency than before, as measured by more regular publication of bid information in gazettes. Some states have made a virtue of effecting contractor payments within 30 days.

4.43 But such a system is clearly not one for the long haul. It is vulnerable to abuse if patronage rather than results on the ground drives the leadership. But with weak bureaucratic capacity and so much at stake politically in development programs, it is hard to see governors taking a more hands-off approach in the near future, delegating tendering, bid award and contract supervision to civil servants, and holding them accountable for results. But the sooner civil service capacity to play a professional role in the public procurement process can be rebuilt, and tendering underpinned by solid selection or pre-qualification criteria, the faster will risks of abuse be lowered.

Role and Capacity of the Audit Function

4.44 In all states the external audit function is discharged by the Office of the Auditor General of the State Government, a constitutional office with a relatively compact staff (typically around 100), mandated to carry our financial and regularity audits. The Auditor-General is expected to produce a report within three months of receipt of the state government accounts, and to lay it before the Speaker of the State House of Assembly for transmission to the Public Accounts Committee (PAC) which then summons officials and holds hearings on departmental accounts, usually in open session.

4.45 External auditors in countries like Nigeria typically have two functions: (i) To serve democratic accountability though an independent professional check on the financial accounts of the government, whether monies appropriated by the legislature have been spent on their intended purposes[28] and in accordance with established procedures. (ii) To support managerial accountability by regular scrutiny of financial management, raising queries, issuing cautions, signalling departures from authorized practices and highlighting risks.

4.46 In most states in Nigeria, external audit bodies are carrying out these functions, but in a *pro forma* way, their effectiveness limited by constraints, many of which are beyond their immediate control. Most of them have their origin in the period of military rule, when there was only token interest in the audit function. Under the new political dispensation, states are starting from a position where the audit function had long ago lost its effectiveness. Restoring a well functioning external audit at state level requires understanding and addressing the constraints state auditors are currently operating within.

[28] Unlike the National Assembly, state legislatures, by and large, have not sought to dramatically change or increase the budget proposed by the Governor, save in minor ways.

4.47 The first constraint, and a major one, has been the unavailability of appropriation accounts and financial statements to audit. Auditors can visit departments and raise queries with the Accounting Officer, but without annual accounts, no audit report of substance can be written, and the PAC will remain dormant. Fortunately, states have been making a serious effort to become current with their accounts, and audit staff are being furnished with recent accounts, if not for the year just past. In some states teams of outside accountants have been brought in to help clear up the backlog of accounts from the military era, though with mixed results— with records missing or sabotaged and officials' memories dimmed, they have struggled to make sense of past public sector accounts.

4.48 The second constraint is the relative lack of resources available to the Auditor-General and his staff. While state governments are busy rehabilitating the main departmental offices, the external auditor is likely still to be found in a ramshackle building, with unreliable power supplies, outdated equipment and a dearth of vehicles, all testament to the relative unimportance of the office in the executive's spending priorities. While the office is a constitutional one, the Auditor-General's budget is determined by the state government, his staff are on civil service scales, and both recruitment and training are determined centrally, by the Civil Service Commission. Although the increased pay and allowances for the civil service generally have improved the motivation of audit staff, most Auditors-General have been unable to recruit the professional staff they need. Not unexpectedly, this shows in the quality of audit reports, which, while they provide a basis for the PAC to get started, tend to be composed of routine irregularities, and ignore practices most at risk to fraud and corruption.

4.49 The third constraint is a still ambivalent commitment in many states to managerial accountability. This shows up in the low priority attached to responding to audit queries, poor records management, denial, in some instances, of access to audit staff, and a general lack of engagement by finance commissioners in the work of external audit. Insofar as Auditors-Generals have reported and PACs deliberated, there seems to be, in many states, the lack of a clear mechanisms for executive follow-up, both to discipline staff lapses and to address weaknesses in control systems.

4.50 How can these barriers be overcome, so that in the years ahead the external audit function can regain the role required of it for democratic accountability and also reinforce managerial accountability within government?

4.51 Fortunately, progress is already being made, commendably so, in catching up the backlog of accounts. While it may not ever be possible to complete financial statements for all the lost years of military rule, states are becoming current in their appropriation accounts, thereby permitting Public Accounts Committees (PAC) of the legislature to begin their work. If financial statements are to be brought up to date, large write-offs may have to be contemplated, and how these are approached need careful consideration.[29] Once accounts have been brought up to date, and audits have been conducted within the statutory time frame, increased attention can be paid to the materiality of those audits.

4.52 Achieving this will require resources. In states where the political leadership appreciates the contribution of an effective external audit, or the legislature champions the external audit cause, a progressive increase in resources may be possible within the existing budget framework. A more radical solution would be statutory arrangements taking the Auditor-General and his staff, as servants of the legislature, outside the existing framework of executive budget preparation and Civil Service Commission rules, by allowing the Auditor-General to submit his budget and staffing proposals directly to the Assembly, perhaps after independent review by an Audit Commission. Either way, it will be important not just to increase the resources of the external auditor, but also to require and monitor a plan for the professionalization of the office and the deepening of audit work.

4.53 Whether the Auditor-General succeeds in reinforcing managerial accountability depends partly on the materiality of the audit, but most importantly on the executive sending a consistent message on the importance attached to financial management across government, and effective mechanisms for addressing audit queries and reporting remedial actions. A positive indicator is the way in which state governors in many states are exercising direct control over state finances. This is driven in the short run by concerns over the size of the wage bill, and the need to ensure that, salaries notwithstanding, sufficient resources remain for the executive to demonstrate rehabilitation of facilities and the operation and extension of state services. Progressively, centralized control has to give way to a more delegated approach to financial management based on the re-establishment of control and accountability systems in depth. Here the office of the Auditor-General, if it is willing and enabled to raise its game, can be a critical ally.

[29] In one state, the Accountant-General, realistically confronting the lack of records, authorized a major write-off of past losses, only to incur sharp criticism by the Auditor-General for exceeding powers and ignoring rules on conducting boards of inquiry.

V. THE CAPACITY OF LOCAL GOVERNMENT AUTHORITIES

A. The Evolution of Local Government

5.1 There are 774 local government authorities (LGAs) in Nigeria, an average of 21 per state. LGAs may be established by the state houses of assembly, and over the years the same forces that have lobbied for more states (i.e. demands by minority communities or sub-communities for their own homelands), have created similar pressures for additional LGAs. However, the National Assembly is resisting this tendency and the number of LGAs may stabilize at not much higher than the current number.

5.2 The functions, structure, composition and finance of local government are determined by state law within the parameters set forth in Section 7 and the Fourth Schedule of the 1999 Constitution. While there is some variation from state to state, the majority of local governments, have been established on the "presidential model"—the chairman of the LGA is directly elected by eligible voters in the local government area, and governs with the assistance of commissioners who he appoints to head local government departments. The local government council is the legislative arm of the LGA. Members of these councils are elected from single member wards (i.e. districts). The term of both the chairman and council of the LGAs is currently three years.[30]

5.3 With the return to democratic civil rule in 1999, authority to reform local government reverted to state governments where some legislative houses have tried to wrestle supervision over local governments from the executive arm of government. As a result, many state governments have passed new local government laws that have significantly changed the operational rules of local governance. However, local autonomy is restricted by higher levels of government not only by statute but also by limitations on their discretion in making and executing their budgets and in control of their personnel in the form of guidelines having the force of law periodically issued by state governments as policy. Thus, local governments operate under twin sets of rules, one statutory and the other administrative. Local governance is also affected positively or negatively by the effectiveness of necessary administrative supervision such as the issuance of guidelines for budgeting by competent authority and regular external audit of accounts or lack of it.

5.4 States have reacted differently to the need for local governments to generate more of their revenues internally and to submit to regular external audit. Looking at statutory provisions and administrative guidelines together with the attitude of state governors toward local autonomy, the picture that emerges of the state of local governance is mixed. It is generally correct to say that many states want to restore measures of statutory control that the military administration of President Babangida had abolished in the late 1980s. Thus, although most state laws provide that each local government's council is vested

[30] Some officials at the state level wish to reduce the term to two years while the National Assembly supports local officials who want it extended to four years so that it is consistent with the terms of elected officials at the other two levels. The devotion of local councils remains a contentious issue.

with the authority to approve the local budget, it does not translate into effective authority to make expenditures locally. The administrative guidelines provide limits of expenditure above which local government executives need specific approval to spend their budget votes. The limit set since the Abacha years was 500,000 naira. In a few states such as Oyo and Plateau, the local governments also have to show evidence that they had complied with procurement procedures such as public advertisement, receipt of quotations from at least three vendors or contractors and bill of quantities. These formal requirements may cause delay in awarding contracts but do not guarantee transparency and accountability. However, they enhance the role of state officials in local government administration, and could safeguard against egregious abuse.

5.5 Delta state's local government law is unique in providing for complete financial autonomy of local governments. It states that "it shall no longer be necessary to refer any contract, whatever its size, to any organ or functionary of the State Government for approval provided that the project had received the prior approval of the Legislative Arm of the Local Government during the normal process of the annual budget exercise."

5.6 In Ogun, Nasarawa and Rivers states the governments' attitude is that local governments are a separate tier of government and should be left to make and accept responsibility for their decisions. Consequently, local budgets are made locally and autonomously implemented. This has considerably reduced the role of state officials in issuing budget guidelines and monitoring their implementation. In some states bureaucrats have found it difficult to adjust to lack of effective authority to monitor local governments. On the other hand, some local government chairmen have seen their autonomy as license to run their local governments as private fiefdoms The gap between chairmen and local councilors in terms of educational qualifications, experience and social status is, in many localities, quite wide. Therefore, there is very little effective capacity to check executive excesses. If local councilors are unable to maintain effective surveillance over local executives, then transparency and accountability suffer.

5.7 Financial accountability in local governments is monitored through external audit carried out by an independent Auditor-General of Local Governments. While all states have an auditor-general, everywhere he has been emasculated by inadequate manpower, poor budgetary provision, lack of official support from the state government and absence of up-to-date annual accounts to work on. While many local governments lack internal capacity to keep good records and prepare timely accounts to enable annual audits to be carried out on schedule, some willfully resist submitting their accounts for audit. Since some state governments' accounts are audited many years in arrears, political pressure for regular audit of local government accounts is weak.

5.8 As mentioned in the first section, one of the ironies of local government in Nigeria is that its greatest champion may have been the military. While the military government's policies undermined governance at the state level in almost every respect—politically, administratively, logistically—it supported (except during Abacha) elected local government, and it allocated a greater share of the Federation Account to local government than civilian governments before it. That said, the military's proclivity for corruption at the state level may have set the standard for what was acceptable on the part of elected officials at the local level— a standard that has carried over to the new LGAs.

5.9 The result is that the LGAs constitute the weakest tier of government in the federal system. Local government has also suffered for two additional reasons. First, local government has been the object of inconsistent policies on the part of the FGN as a succession of regimes alternatively enhanced or reduced the autonomy and resources of the LGAs. Second, as discussed in the previous section, the third tier of government has been unable to attract a sufficient number of dynamic and competent leaders to guide its development. This is particularly true in respect to political leadership, but also in respect to the local government civil service. This begs the question of whether the return of democratic governance provides sufficient incentives to raise the level of accountability of local elected officials, especially LGA chairmen, to their constituents. If large numbers of incumbent chairmen and councilors are defeated when they stand for re-election, one of two lessons is likely to be drawn. The first is the lesson of democratic accountability, namely that if one wishes to be re-elected one must perform at a level that is acceptable to the electorate, because voters will stand in judgment at the next election. The second, and the one that may be operative for the first group of LGA chairmen elected in 1999, is that because chairmen will be in office only three years and the probability for their re-election is low, it is in their interest to enrich themselves as fast as the opportunities to do so arise. Recruiting candidates who are more disposed towards the first of these alternatives is thus a major challenge for those seeking to strengthen LGA performance. It will be interesting to see whether the new breed of governors will be able to nurture such recruitment.

5.10 As at the state level, there were no significant policy differences between councilors of different political parties in the LGAs considered for this study. Each council in the LGAs considered included members of the opposition, but party was not a defining attribute of political conflict. The most frequent comment when asked about the significance of party was "we all get along." The reasons for such apparent cooperation are the same as those that shape the policy-making process at the state level. LGA chairmen, like governors, do not regard party as important, and seek to spread development across the area embraced by the local government authority provided councilors cooperate with them. Conversely, councilors are reasonably satisfied if a portion of the LGA budget, particularly capital expenditures, are directed towards their ward.

5.11 The exclusive functions of local government, as set forth in the Fourth Schedule of the 1999 Constitution, are few and of minor importance with the notable exceptions of the construction and maintenance of local roads, sewage facilities, markets, and motor parks. Local governments, however, also share several important responsibilities with the states including the provision of primary, adult and vocational education, the development of agriculture and the provision of health services (i.e. primary health care). The provision of these services is carried out under state supervision, and consists mainly of the construction and rehabilitation of the buildings (i.e. schools and health clinics) that house these services. Funding for these capital works is supposed to be allocated from LGA capital budgets. LGAs are also expected to participate in the process of economic planning of their state through membership of State Economic Planning Boards which most states are yet to establish.

5.12 Although local governments participate in the provision of primary health care and education, they are highly constrained by state and federal policy. One of the most contentious issues is the provision of primary education. Because LGAs had a long history of not paying teachers' salaries on time, and because the bulk of LGA revenue comes from the Federation Account, the Abacha government stepped in and "solved" the problem in 1994 by decreeing that funds for teachers salaries would be "deducted at the source" and paid directly to those concerned. Depending on the number of teachers in its employ, this policy has left many LGAs with little revenue after the deduction. It has also created a disincentive for LGAs to expand primary education notwithstanding the federal policy to move towards universal basic education. The result in some states is a standoff between the state primary education board which recruits and posts teachers, and the LGAs which are unwilling to construct additional classrooms or schools, because they wish to limit the number of teachers whose salaries they must cover. To compound matters, the Abacha government also decreed that each LGA should set aside 5 percent of its allocation for the upkeep of traditional rulers though this requirement was suspended by President Obasanjo shortly after his assumption of the presidency. More recently, the LGAs, like the states, were hit by the federal decision of May 2000 that raised the minimum wage for both civil servants and teachers to 6,000 naira per month. As discussed later in this section, what funds are leftover from the monthly allocation after the deduction for teachers salaries, in most LGAs, are absorbed entirely by local government salaries.

5.13 LGAs, in short, have very little latitude with respect to either policy-making or budgeting which may further explain the uninspired performance of many LGA chairmen. Although they have been receiving 20 percent of the Federation Account to support their operations, a large portion of these funds are tied. It is therefore not surprising that LGA men, like state governors, are demanding a further increase in their share of the Federation Account. The solution now proposed by the National Revenue Mobilization Commission would be for the federal government to assume responsibility for paying teachers salaries and then allocate 16 percent of the Federation Account to the LGAs on an untied basis.

5.14 Notwithstanding these constraints, it would be wrong to conclude that the lack of LGA effectiveness is due solely to a shortfall in revenue. Many of the problems of LGAs are of their own making in at least two respects. First, it is clear that few LGA chairmen appreciate the basics of sound budgeting and financial management. As discussed later in this section, budgets are more like wish lists that reflect perceived "needs" rather than instruments that outline a prioritized balance of expenditures to implement public policy on a sustainable basis over the medium term. There is a paucity of clear policies and procedures that identify clear goals and which systematically allocate and monitor the expenditure of funds to achieve these goals. The study team visited 13 LGAs for this report where we met with the chairman, supervisors, and several members of the council. While one must be careful not to over-generalize from such a limited sample,[31] we found that only three or four of the chairmen understood the purpose and details of the budgetary process. Many LGA chairmen also appear to regard the local government budget as their own personal fief. Ignorance of budgetary procedure also encompasses willful disregard of the rules of financial management. Press stories of fraud, corruption and other unlawful behavior by LGA chairmen abound in Nigeria, and several chairmen have been suspended, impeached, or otherwise removed from office.

5.15 Not all LGA chairmen are as incompetent or corrupt as news stories in Nigeria's vibrant press might have readers believe. There seemed a seriousness of purpose among LGA leaders in Sokoto state and some other places, and in one Local Government in Anambra state the chairman was an ambitious and bright young lawyer who had given up his practice in Lagos to return to his home area and enter politics. He fits the profile of "the new generation" found more typically at the state level, and his accomplishments—road construction and the construction of a new LGA headquarters, suggest that the LGAs may yet attract leaders with this background and attitude (see box).

[31] The team visited two LGAs in Bauchi, Rivers, and Nasarawa states, one in Anambra and three in Ogun. In Sokoto we had a joint meeting with the officials of three LGAs

What Local Government Could Be?

Dunukofia Local Government in Anambra State, and Abeokuta South Local Government in Ogun state are examples of what local government could become in Nigeria if led by the "new generation" of politicians emerging at the state level. Although many LGA chairmen are ineffective and probably corrupt, a small number are ambitious leaders who emphasizes performance, and who have concluded that the best way to advance their political careers is to aggressively promote development at the local level.

The LGA chairman in Dunukofia is a 35 year old attorney who practiced law for 12 years in Lagos before returning home to contest the 1999 elections as the APP candidate. He presides over a council composed of 8 APP and 6 PDP councilors, but contends the party means little in contemporary politics. Rather, it is how one gets along with other politicians, and whether one supports those who support you. He has therefore worked closely with members of the local government council to draw up a master plan of capital projects that serve all. He also makes a point of being on good terms with the governor of Anambra State though he is not a member of the governor's party. As Dunukofia was a new LGA with no infrastructure, the council's first priority was the construction of a secretariat including a public meeting hall. To ensure balanced development, the plan divided the territory of the LGA into two zones each of which has been provided with a police station and a health clinic. A forward rolling plan calls for the construction of up to 100 km of roads, and the provision of water to rural communities. The chairman acknowledges that this level of capital expenditure may be unsustainable given the rising wage bill as a result of the federal government's decision to raise public servants wages in May 2000. He also has no plans to run for re-election, but views his tenure as LGA chairman as a stepping stone to higher office at either the state or federal level.

The chairman of Abeokuta South LGA is a former businessman. Though older and lacking the education of his counterpart in Dunukofia, he has also pursued an ambitious program of capital spending totaling N260 million. The largest of these is a market outside the city center for 1,000 shops that sell adire and other cloth. Abeokuta is the acknowledged center of this trade in Nigeria, and the present market area in the center of town is too small for the present volume of trade and congests traffic. The council has also constructed a new headquarters, an arcade of 94 shops, and installed four electric transformers to extend electricity to areas surrounding the town. Plans are also afoot for a housing estate of 2,000 units. The chairman presides over a council all of whose members except one is a member of his party. He maintains a close relationship with the governor of Ogun state who he lauds for assisting with the rehabilitation of roads, and the provision of market lighting and rural electrification within the territory of the LGA. Like his counterpart in Dunukofia, the chairman of Abeokuta South acknowledges that the current level of capital spending may be unsustainable. Indeed, the LGA borrowed to finance the market. However, he notes that "nothing happened here during the military period and the federal government gives us nothing."

B. Local Government Staffing

5.16 The local governments visited by the mission had staff complements ranging from around 400 to over 1,000, with urban councils employing more staff than rural ones.[32] Although staff salaries are carried in LGA budgets, the regular staff of Councils are all

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32 In Bauchi State, Bauchi Municipal Council had a staff on strength of 998 against an approved establishment of 1339. Katagum, a rural centre in the far north employed 640. In Nasarawa State, Doma, a rural council employed about 500, intending to increase this to 650. Karo, a peri-urban council declared 750, but budget documents provided funding for 1357, up from 1075 in 1999. In Ogun State, Odeda, a rural council, reported 464. In Sokoto State, Shagari, a rural council, reported 400 staff, a lower figure than neighboring LGA's, perhaps accounting for the fact that the council had been able to complete some development projects. Even so, in late 2001 the Monetary Federation account transfer was only just covering the wage bill.

members of a state's unified Local Government Service, which in turn is supervised by the state Local Government Service Commission. Taking all 774 LGAs, there are probably about 500,000 local government public servants across Nigeria, excluding primary school teachers – which are employed not by Councils, but by the State Primary Education Board.

5.17 Salary scales of local government staff are tied to that of the civil service of the state within which they serve, with the same pay and allowances. Each LGA conforms to a fairly standard organizational structure with six main departments: general administration, finance, education, health and social welfare, works and housing, and agriculture and natural resources. Councils directly recruit and promote junior staff (GL01 to GL06) subject to the approval of the LGSC, who are normally expected to spend their entire service in the local government area. Senior staff (GL07 and above) are recruited, appointed, promoted and disciplined by the LGSC on application by the LGA, and the LGSC rotates them every 3-5 years between LGAs. promotion is on merit and seniority. Although LGSCs act in some ways as agents for LGAs, their real mandate is to give coherence to the concept of a unified Local Government Service, protecting permanent officials from capricious behaviour of political appointees, and promoting adherence to rules and standards. This split personnel system, however, is fraught with many problems. Senior personnel are posted around in a system of rotation of two or three-year duty tours at a time. This enables remote rural areas to get a fair share of qualified staff. However, it gives local governments little control of their key staff. Local governments are also unable to control the number of senior staff posted to them. Overstaffed local governments cannot autonomously reduce numbers or restructure staffing.[33]

5.18 Local government staff are in many places of lower caliber than state civil servants.. Government service at the local level never had the cachet of a career in the state or federal government, and during the period of military rule budget funding was sporadic and supervision virtually non-existent. A deduction of 1% at source from the LGA's Federation Account allocation is made as a training levy, administered by the LGSC, but LGA staff complain little or no training is forthcoming. Similarly, a deduction of 15% of personnel emoluments for pensions is made at source, and administered by a local government pensions board. Clearly, if LGAs are to play a larger role in delivering services efficiently and effectively, and engaging communities, a major effort at building capacity is required.

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[33] In some states such as Enugu and Rivers, however, all government staff belong to the "unified" service even though a local government chairman has power to appoint junior staff. In Nasarawa state the local government service commission has stopped rotation of staff by posting senior local personnel to their local governments of origin. By this procedure all local government staff are of local origin. However, they remain in the "unified" service and thus under the control of the commission.

C. Budgeting and Financial Management

5.19 How LGA budgets are put together and implemented varies from state to state, principally according to how the state government has interpreted its mandate to coordinate the functions that states and LGAs are jointly responsible for. In states where there is strong engagement, the state Bureau of Local Government Affairs is likely to provide explicit guidance to LGAs on how they should prepare their budgets, specifying formats, timetables and priorities. Draft estimates are submitted to state governments for review, and LGA staff are called to the state capital to defend them. State officials argue that unless this is done, Councils will not produce budgets consistent with a sound development vision, and waste the money on uneconomic schemes. Furthermore, that this will rebound on state governments, since voters will be unable to distinguish local government from the state government if a program fails. In such states implementation of LGA budgets is closely supervised. All spending above 500,000 Naira is referred to the state capital for approval, as are tender awards of any consequence. In Bauchi and Sokoto, for example, LGA budget preparation is closely supervised by the state government to ensure consistency in spending priorities.

5.20 In other states, either governors have taken a much more hands-off attitude, believing that voters can distinguish between a well performing state government and a poorly performing LGA, or the state house of assembly has passed local government legislation making the autonomy of LGAs statutory. In such cases, budgets are put together with no guidance from the state government, though still utilizing long established formats.

5.21 How realistic are these budgets, and how effectively are they implemented? The answer to this question is: on the whole poorly, partly due to the weakness of local governments and the performance of local leaders, and partly because of the structural imbalance between mandates and resources.

5.22 Until the May 2000 Federal Government Salaries award, most LGAs could make a budget which both covered payroll costs, and funded a reasonable quantum of development programs. The quality of programs was variable, as was implementation[34], but in the first year of the transition to democracy, with oil prices rising, there was a sufficient surplus after meeting recurrent cost commitments, for development projects to be financed in most LGAs, from the 20 percent Federation Account share, after deduction at source of primary school teachers salaries. LGAs have other sources of revenues and are often encroached upon by the state governments, but they are much less significant. They are supposed to receive 10 percent of their state's internally generated revenues, but

[34] Like state and federal governments, LGAs had their share of abandoned projects and contractors who drew advance payments and failed to show at site. While some projects like school classrooms, rural roads and water supplies, are central to LGAs' mandates, there are also a lot of dubious schemes in LGA capital budgets, including ostensibly commercial schemes to augment council revenues.

many complain this is not forthcoming.[35] Other than that, LGAs raise their own revenues from a long schedule of fees and licenses (some 40 plus—ranging from property rates, market fees to hair-dressing and bicycle licenses). The amounts obtained from many of these sources seem hardly worth tapping. Finally, many LGAs are embarking upon commercial undertakings (e.g. bus transit firms, poultry schemes and farms) which, if not operated efficiently, could waste rather than generate resources.

5.23 After the FGN salaries increase fed through to state and local government levels, the situation changed completely, with the greatly increased wage bill pre-empting most if not all of the monthly allocations forthcoming from the Federation Account. This was further exacerbated by the subsequent fivefold increase in political appointees' pay and allowances. While this affected all tiers of government, it was especially costly for the lowest tier, because of the small size of budgets and the large number of political appointees entailed by the adoption of the "presidential" system of government, and the separation of power this interpretation required.[36] Most LGAs in 1999 and 2000 adopted large, ambitious capital budgets, and with the resources initially available, were able to start some schemes. After the pass through of the pay rise, the budget as approved by the Council had little if any meaning. Most LGAs were barely able to meet their monthly wage bills, some even not that[37] What might have been once a coherent system of planning and budgeting quickly reverted to a cash budget, driven by the monthly transfer from the Federation Account. The first call on cash has been salaries and allowances, after that finance directors have endeavored to meet claims on a most urgent basis. Some LGAs have tried to borrow from the domestic banking system against future transfers, but since the problem they face is structural, and with the cost of borrowing approaching 30 percent per annum, this is not a sustainable strategy. The mission was unable to obtain estimates of arrears, but it seems likely that these have been building.

5.24 Although the problem of the increased salaries bill was apparent when the FY2001 LGA budgets were being prepared, most LGAs carried on with their spending plans as if nothing had happened. Wage bills were duly increased in LGA recurrent budgets, but capital spending intentions were in no way cut back, and in many cases increased. The elastic balancing item was the expected transfer in 2001 from the Federation Account, improbably assumed in many cases to double. Similarly heroic assumptions were made about the likely increase on locally generated resources, and in the expected LGA share of states revenues.[38]

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[35] States on their part argue that if internally generated revenue transfers are less, this is because states are offsetting LGA obligations to the states.

[36] In one LGA, it appeared to the mission that more was being budgeted for the pay and allowances of the Council Chairman, his supervisors, and councillors, than for the whole of the Department of Health.

[37] A situation exacerbated by some LGAs, anticipating additional resources, inflating the numbers of primary school teachers, not realizing that payrolls would subsequently be deducted at source.

[38] The mindset of budget-makers, when asked by the mission, seemed to be: since the FGN has created the wage bill problem for the Councils, it is appropriate to budget for a corresponding increase in the federation Account transfer, since the solution to the LGAs' budget problem must likewise come from the federal level.

5.25 The net effect of these changes, real on the recurrent expenditure side, unfinanceable on the capital expenditure side, and imaginary as to revenues, is to make budgeting meaningless. Indeed, the more budgets depart from what can realistically be financed, the greater the discretion available and the loss of control. A major challenge is to create incentives for more realistic budgetting and build capacity around this.

5.26 Accounts are prepared by the finance department of the LGA, in most cases within a year after accounts have closed, and forwarded to the Local Government Auditor-General, who, like the State Auditor-General, is a servant of the State House of Assembly. The office is a constitutional one, but it is a watchdog only. If disciplinary measures are recommended, it is up to the LGSC to implement them. Local Government audit reports are submitted to the State House of Assembly, which passes them on to the Public Accounts Committee. The state government Bureau for Local Government Affairs is typically staffed with local government inspectors, who routinely visit LGAs and submit reports, but they are effective only to the extent that a supervisory role over LGA affairs is acknowledged by both the State Government and the House of assembly.[39]

D. Local Government and Community Development

5.27 Each LGA has a Community Development Division, usually within the Education Department, and staffed with a small number of community development officers who work at the district and village area level with community organizations. In the capital budget there is typically a matching self-help grant project, albeit of a small size. What this means is that there exists in LGAs an apparatus for channeling public resources to community based self-help projects. The study team had neither the time nor the mandate to visit such projects and dialogue with the relevant community organizations. However, its findings on state and local government capacity together with more general information collected (including representatives of non-governmental community development associations at the state level) suggested the following: (i) There is a long tradition in Nigeria, especially in the south, of community self-help activities, such as those of "home town associations," "village unions," etc. Much of this takes place independently of any agencies of government. In other cases, partnerships are forged between these associations and state agencies, those invariably at the initiative of the former. (ii) In some states, such as Anambra, the state government has established its own equivalent of a social fund and an organization to run it (see box on the Joint Assistance for Development program). (iii) A distinction must be drawn between those states which are fully engaged in supervising LGAs as compared with those that are taking a hands-off approach.

[39] In one state, which followed the parliamentary model of local government, the mission found an active local government inspection division within the Bureau, enjoying full access to council records and meetings, and feeding back reports on which action would be taken by the state government. In the next state, which had adopted a presidential model, the local government inspectorate was demoralized, given no cooperation by LGA staff, and exerted little leverage with their findings.

5.28 Given these realities, it is critical that any attempt to support Community Driven Development by the donors be adjusted to local conditions. This means working closely with extant structures, where they exist, rather than creating parallel and often unsustainable enclave bodies. It also means exercising caution in making available grants through LGAs where the capacity of the LGA is suspect.

An Indigenous Social Fund?

Social funds have become a popular vehicle via which the World Bank provides fast and direct assistance to the rural poor, but the question of sustainability shadows the use of this practice. The issue is not whether the Bank should attempt to support community driven development, but how best to do so.

The prospects for sustainable community development are arguably greater where there is an indigenous capacity to organize and implement small-scale development projects, and where there are strong links between the local community and the lowest tiers of government. Both appear to be present in Anambra State though further investigation is required to determine the extent this is so.

As is true across much of Southern Nigeria, Anambra is dotted with village based hometown associations also known as community unions. Where these associations exist, their members have organized and in many cases financed a variety of development projects on a collective and self-help basis to construct basic rural infrastructure. Such projects include boreholes and wells, classrooms and entire schools, health clinics and hospitals, meeting halls, roads, telephone and electric lines, etc. These organizations also draw the support of businessmen, professionals, and civil servants who have moved out of the community, but who maintain links to their home areas.

Recognizing these efforts, some states have established agencies to support these activities. In the case of Anambra, the agency is the Commission for Special Duties and Community Development which administers a program called the Joint Action on Development or JAD. The primary focus of JAD is on rural infrastructure, especially electricity, water and roads. It is based on two simple principles: (1) that the members of local communities know their needs best, and (2) that community development requires local ownership and thus a partnership of efforts by the residents of the local community matched by state and local government authorities. Under JAD, communities submit proposals to the Commission for technical and financial assistance, but only on the condition that they will raise 30 percent of the project's cost within the community, and be matched by an additional 30 percent from the LGA. Anambra State, via JAD, then matches these contribution with 40 percent plus technical services. The state appropriated N420 million ($3.36 million) for 2001, and seeks donor assistance to augment this amount.

VI. THE WAY FORWARD - OPERATIONAL IMPLICATIONS

6.1 As states move forward with building capacity in government and modernizing systems, there is likely to be both an expanding role for external assistance, and for the Federal Government in facilitating change and in fostering the exchange of information. This chapter suggests some possible steps forward—for the states and the federal government, and for the Bank and other external donors. The chapter discusses first the capacity building areas where support would be most useful. It then describes the overall approach the Bank and other donors might take to ensure that support is provided to states where it is likely to be used effectively rather than across the board, where it might be wasted. The key to achieving this is a zonally based challenge approach. Finally, it suggests how the critical task of coordinating assistance and disseminating lessons learned might be carried out by key FGN agencies.

A. Support for Capacity Building

Restructuring the Civil Service

6.2 Individually states will have to resolve the extent of restructuring needed to the civil service, in the light of historical developments and the extent to which functions need to change and staff numbers need to be adjusted, in terms of reducing any excess numbers and filling skill gaps. In many states, there is a tension, sharpened by the increase in the wage bill, between the view of governors that the functions of the state can be undertaken by a much lower number of employees, and an officials' view that more staff are needed in critical areas, and that on a "needs" basis government employment is not too large. There is also a tension between a tradition of operating the civil service as a patronage machine, and a more modern paradigm of delivery services efficiently and effectively.

6.3 One answer to this question is that size ultimately must be determined with reference to affordability, and within the resources envelope the role the state government is expected to perform, the functions this implies and the manner in which they are carried out. Affordability, in turn, is related to the magnitude of state revenues, principally the share states receive from the Federation Account, and the cost of meeting payroll costs at rates of pay that enable the state government to recruit, retain and motivate the staff needed to implement the governor's vision of state development.

6.4 The sample of states visited was too small for the study team to form more than an impressionistic view of how much staffing levels need to be rationalized. Clearly, there is considerable variation around states. More, however, are in a position to pay existing staff a motivating wage and support later with adequate operating budget, and maintain fixed assets. Ultimately the downsizing component of civil service restructuring will have to be determined by governors conducting detailed assessments of functions, structures and staffing levels required to discharge their mandates. Clearly, though, getting staffing numbers right is an important early step in modernization. Governors face a clear choice. Do they want to continue operating the state government as an employment patronage machine, or as an instrument to deliver services efficiently and respectively to their citizens[40].

6.5 Donors can assist in several ways. First, they can help governments carry out reviews of functions and the level of staffing needed to discharge those functions. Cross River State has already begun, and there is plenty experience of this work financed by donors elsewhere—in the region and further afield. Second, they can help governments meet the cost of any downsizing that ensures. Retrenchment costs are likely to include counseling and retraining, together with the severance payments legally due to staff separated by the government. It is unlikely that donors will be willing to meet the full range of these costs. First, they could be substantial, in the light of the generous gratuity and pension rights mandated by law. Second, it will be argued that these are costs that Nigeria as a whole is capable of bearing, given the large share of oil revenues in GDP, and that meeting these costs is a matter of re-ordering state and federal spending priorities and revenue allocation shares. Finance for severance payments is a form of budget support, and donors might well take the view that, taken in aggregate, the quality of spending across tiers of government, not to mention the condition of control systems, does not justify the provision of large scale fungible assistance. However, there could be a case made for donor financing of severance packages in one or two pilot states which have or are developing restructuring programs, to help them move forward and test approaches which other states could learn from. At the same time, assistance could be given to complementary activities such as payroll management and improving personnel control systems, so that the hazard of back-door re-entry could be minimized. And improvement in payroll controls could be supported by upstream reconsideration of the means to achieve policy outcomes. There is little point in donors assisting in a cycle of civil service retrenchment only to see, later, another cycle of patronage appointments to begin. Tracer studies would be undertaken to see what happens to separated workers, what employment, if any, they have found, and whether the training and counseling provided was useful.

Pay Policy

6.6 How much harmonization in salary scales, and, indeed, in personnel and financial management policies across states, will need to be determined. A starting point might be to test

[40] The political obstacles to tackling civil service restructuring have been problematic across Sub-Saharan Africa, but are likely to be especially formidable in Nigeria. The most recent Afrobarometer survey on attitudes towards democracy and markets, conducted by the Afrobarometer research network in collaboration with Management Services International and the Lagos-based firm, Research and Marketing Services, in August 2001, found that Nigerians are more opposed to cutting civil service jobs than other African countries surveyed, by a significant margin. 81% were opposed to civil service retrenchment, as compared with 30% in Tanzania and 53% in Uganda. The conclusion drawn is that Nigerians believe that with oil revenues the government can create government jobs at will. ("Down to Earth: Changes in Attitudes toward Democracy and Markets in Nigeria", December 2001 – copies obtained from SMS Ltd., Western House, 9th Floor, 8/10 Broad Street, Lagos).

the relevance of present scales against local labor market comparators in a pilot state, and take the findings from there. This could be an exercise for Nigerian consultants to carry out, perhaps with external financial assistance.

6.7 A related issue is the organizing principle behind government pay scales. Nigeria's public service pay scales are harmonized within and across tiers of government, with the same lattice of grade levels and steps, pay and allowances applied with only minor variations to all branches. The approach simplifies pay setting and facilitates transfers between services[41] but also centralizes it, and belongs to a paradigm of public sector pay practiced 30 years ago when national incomes policies were in vogue, and job content and internal relativities were considered more important determinants than labor markets. A front running reform state might usefully commission a study on the type of pay policy states should adopt to support the broader machinery of government modernization agenda. The outcome, of course, would have to be deliberated in a forum of other states, the federal government and other stakeholders such as unions, before any decision were made to change the model.

6.8 Alternatively, if it were decided nationally to retain a harmonized approach, more effort would need to bring states into the salary review consultative process, and to avoid delaying adjustment until a massive increase was due. Generally, pay reform should moved in step with organizational streamlining and adjusting staffing structures. Raising pay ahead of structural reforms increases the costs of the latter, and may even make it unaffordable.

Training

6.9 Given the damage done to civil services during the period of military rule, particularly latterly, a strong emphasis on capacity should be central to any strategy of donor support to states governance strengthening, A tempting but wrong approach would be to invest substantial money in long term training, which is the responsibility of education, not civil service policy. Also in overseas training, because of its cost, except for highly specialized fields. The core of a civil service capacity building strategy should be highly focused short courses and workshops designed to impart knowledge on very specific subjects, including both new and existing processes. For this, state civil service training institutions will need to be rehabilitated if they are to meet the demands placed upon them. To avoid constantly reinventing course content, a configuration that entailed the twinning of a civil service training college in a more advanced country with a national institution like ASCON, wholesaling course material and trainers to rehabilitated state training institutions, which in turn would retail courses and workshops to local staff, could be highly effective.

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41 State governments are keen to see civil servants from their states transferred to appointments in the Federal Civil Services, it seems as a mechanism to ensure state interests will be looked out fro in Federal offices, programs and projects.

6.10 This approach could be explored by an interested donor financing a diagnostic study, carried out jointly with national and international consultants, leading to a state civil service capacity building strategy. The scope for replicating material developed and lessons learned across states could be enormous. Civil service capacity building is already being supported by UK DFID in Benue, Ekiti and Jigawa.

Vision of the State Civil Service

6.11 To help build reform momentum, a workshop might be held on the type of civil service modernizing states should be aiming at. The view of this Report is that a desire to return to a rule bound civil service built upon the classic bureaucratic values which imbued the services of the former regional governments and many of the original set of states, need not be incompatible with the drive of progressive governors for results. However, this will require a careful review of existing practices, updating of rules and guidelines, and much investment in changing attitudes and practices. Governors on their part will need to move beyond their pre-occupation with the rehabilitation of structures and new capital investment, however necessary in the immediate future, and broaden their goals to include the more effective operation of existing services. In turn this will require a deeper engagement in the machinery and processes of government than is entailed in awarding contracts to short listed bidders, riding shotgun on projects, and controlling payments, necessary as this may be in the short run.

6.12 States are likely to move forward rebuilding their civil services at different speeds. In some states little creative change will occur, the structural weakness of new administrations will keep the political and bureaucratic leaders unable to rise above the crisis of the moment. In others, where there is a constructive relationship between governors, heads of service and civil service commission chairmen, progress will take place. Here it will be important to develop mechanisms to share lessons learned. In states where there is a commitment to change, donors can help finance consultancies which can act as vehicles for the experience of other countries. They can also finance activities such as service delivery surveys which hold up a mirror to departmental performance, and thereby direct attention to the need to improve existing services, once structures have been rehabilitated.

Budgeting and Financial Management

6.13 The reform agenda for budgeting and financial management should start with an assessment of the strengths and weaknesses of the present system of planning and budgeting, followed by capacity building efforts to improve existing processes. Currently, there are serious weaknesses in setting the macro-economic framework for states budgets – a situation also found at the federal level. More realistic forecasts of Federation Account transfers are needed to underpin budget preparation, and call circulars, presently open ended, could benefit from the introduction of sector ceilings to give the annual budget more of a strategic focus. Together, federal and state governments need to devise credible instruments to manage fluctuations in the oil price cycle so that policy decisions can be taken in a more predictable fiscal context, and the "feast or famine" character of public finances in Nigeria is mitigated. Budget handbooks and guidelines are out of date and need revision and re-issue, and there needs to be a more critical scrutiny of projects, as well as an overhaul of the Rolling Plan process, which in many states (and at the Federal level) does not meaningfully assist Capital Budget making. In most states budgets are put together manually, and a modest program to computerize budget preparation could free up staff for more analytical work. Professional development of budget staff in both state budget offices and line ministries is indicated

6.14 The temptation of transferring inappropriate budget models from other countries should be avoided. Rather than embark on new models, the first order of the day is making the system staff are familiar with work better. Within the framework of the existing dual budget/PIP model, there could be a strengthening of project preparation and scrutiny, ahead of inclusion in the annual Capital Budget. At the present point, state governments are at the easy stage of capital budget making – rehabilitation of existing structures. Even so, it is still possible to invest in the rehabilitation of the structures of a prior paradigm of the role of government in development. In some cases, states are rehabilitating state owned enterprises that generally would be more efficiently operated in private ownership. States should continue to refine their sector and overall state development strategies, since these, ultimately, should drive spending. Concentrating budget resources on public policy that is central to state mandates is indicated, and donors could be a conduit for the experience of other countries which have successfully focused government on a core set of functions.

6.15 A move away from the classic dual budget model, with its tendency for investment led budgeting, will be desirable in the medium term, when governors shift focus from capital rehabilitation spending to improving the quality of service delivery. When this happens states will need a budget process which integrates better recurrent and capital components, and is more responsive to the trade-offs that must be faced in getting the right mix of recurrent and capital spending to support better performance in service delivery. At the same time efforts could be made to make state budgets more transparent, both in terms of including more performance information and in better elaborating contingent liabilities. States which wish to progress down this road should not be held back by too rigid a budget format, as long as common reporting and accounting standards are retained. Even states which retain the dual budget model need to develop a Medium Term Expenditure Framework for budgeting, otherwise they will remain locked in incrementalism, and find it impossible to conduct the review of policies and programs that modernization demands.

6.16 Striking in all the state governments visited by the study team was the relative absence of computers on executives' desks, and with that the absence of systems to exchange and integrate information. Some states are moving to install computer systems in key areas, such as payrolls and accounts, and this is strongly supported. As part of their modernization programs, states might usefully develop an overall IT strategy.

Generally, it is best to proceed incrementally, rather than embark on costly comprehensive programs. Each state, however, will have to consider the trade-offs on their own merits. Personnel management, accounting, budget preparation, cash management etc. are central functions which could benefit from IT, as also are sector operations. Underpinning all of this is records management, which remains traditional and under invested.

6.17 There is considerable scope for external support for modernizing financial management. Nigeria has lagged far behind other countries in the region in introducing integrated financial management systems and computerizing the production of fiscal reports and accounts. Here, there is considerable scope for complementarity, since the chart of accounts in essentially the same across states and with the Federal Government. A working group of states Accountant-General has been recently formed by the Accountant-General of the Federation to devise a common modernization strategy which would avoid the duplication of accounting software development.

6.18 Finally, support could be given in the area of capacity building for legislators. Even more than at the national level, members of state houses of assembly lack prior experience of their role in examining budgets laid before them by governors for appropriation, in scrutinizing in the PAC the report of the state auditor-general on the accounts and financial statements, and in generally examining government performance through the various specialist committees of the legislature. What is needed is a mixture of training in the conventions of budgeting and public accounts, an opportunity to share experience with other legislators, including those with field craft from other countries, and general awareness of current thinking in economic policy and the role of the state in development. Both bilateral and multilateral aid agencies are well placed to provide this.

Procurement

6.19 Donors have a strong interest in helping governments strengthen public procurement capacity, not least to ensure that the projects they finance are implemented effectively. States should have a broader interest, since the vast bulk of the capital budget comprises supplies, services and works contracts. The states which embrace procurement reform will be those whose governors place the timely delivery of goods, works and services above patronage and elite enrichment.

6.20 Best practice in public procurement reform entails clarifying the legal framework to ensure that procurement processes are as open, transparent, predictable and competitive as possible. In many countries, both in Sub-Saharan Africa and elsewhere, governments have upgraded procurement regulations issued under the organic finance law with a separate procurement law, based on the UNCITRAL model. There is merit in elevating the legal framework for procurement to the level of statute in that it increases transparency and predictability, and expands the possibility of redress through the court system. States have already participated in a Bank supported Country Procurement Assessment Review (CPAR), whose recommendations have been accepted by the FGN.

States will have to determine the speed at which they want to proceed down a road of decentralizing procurement, with greater responsibility for departments and agencies to award and manage contracts, and a less "hands-on" engagement of the Governor's Office than occurs at present in many states. State leaders practicing an older style of patronage politics will be reluctant to take this step. Those practicing the politics of "results" will be prepared to do so only to the extent they gain confidence in officials' professionalism and integrity, and in the overall accountability framework for the civil service. A refreshing aspect of the approach of new generation governors is the emphasis on contractor competence, even if this means the low bidder is not always selected. Institutionalizing good procurement entails developing processes to ensure that all bidders invited to tender are qualified and financially guaranteed, so that the low bidder can be confidently selected.

6.21 Support for procurement reform at the state level could be an area of donor assistance. Donors can help develop competence in public procurement and contract management by providing training to an emerging professional cadre. They can also assist state governments review the adequacy of current procurement practices against an international standard, and help draft a new legal framework. Here commonality of systems is an advantage. As the FGN, as indicated, goes forward with its own procurement reforms, the legislation drafted and the training modules prepared could be used also to the benefit of state governments. Conformity across states also assists bidders understand the rules of the game.

6.22 The procurement reforms at the FGN level envisage the establishment of an autonomous procurement regulator. If this is considered an unnecessary addition at the state level, a more active role in supervising adherence to tender regulations could be played by the Dept of Finance, and reported on annually. In addition, the state's auditor-general could be given additional financing to hire private sector auditors to conduct independent checks on whether prescribed processes have been followed. Compliance audits of this nature have recently been commissioned by the Auditor-General of the Federation, and are expected to have a significant impact when published. This could be funded by donors interested in supporting performance improvements in state level public procurement.

Audit

6.23 Support for state level audit staff is already being given in Benue by DFID. There is merit in other donors doing likewise, learning at the same time from the experience of DFID. Additionally, external donors providing resources for sector programs at the state level should take the findings of states' auditors-general into account in lending decisions, raising them in the dialogue with client departments and agencies. Logically, to provide financial assistance in ignorance of audit findings is to undermine the states' own institutions of accountability, a serious moral hazard for external partners.

6.24 Elsewhere in Sub-Saharan Africa in countries following the same legal/administrative tradition as Nigeria, donors are supporting moves to increase the institutional independence of the auditor-general, by taking staffing out of the hands of the civil service commission, allowing more flexibility in pay, and greater independence in budgeting. Separate audit acts have also been passed (though this is already the case in Nigeria). Updating this statutory basis for auditing could be a path to follow in Nigeria, but possibly later rather than now, in that the first round of audit reports are only now reaching newly reconstituted PACs, and it is too early to tell whether the main constraint is the capacity of the state audit office, or elsewhere in the audit cycle. Preliminary evidence is that political will to implement audit findings must go hand in hand with investment in staff training. At the same time, internal audit, which has languished and seen its staff applied to routing payment checking functions, requires overhaul and its status as an important factor in managerial accountability raised. In turn, this requires sharpening the roles and responsibilities of accounting officers.

B. The Challenge Framework for State Government Reform

External Assistance

6.25 The role of external assistance in supporting capacity building and innovation at the states level in Nigeria is seen as critical in this report, partly to fill a resource gap, but, more importantly, to reinforce success and bring to bear both the knowledge that exists across Nigeria and international experience. In some states, particularly those more recently created, the need is basic capacity building. In states with an established civil service, support will be for innovation and modernization. This report takes the view that external assistance should *not* be provided on an equal shares basis to states. This would foster a culture of entitlement, the antipode of reform. External assistance to states for governance reform will have a high payoff only when it is targeted to states with a strong political commitment to develop their own reform programs, identify and tackle the main constraints to performance, and then drive the reforms forward. This suggests that assistance should be provided on a zonal basis with clearly articulated challenge criteria. Under such a procedure governors would submit reform proposals. These submissions should consist of coherent public sector modernization programs that they are prepared to back with state resources and their political capital. Donors would phase-in support for such programs by funding only the best proposals in each of the six geographic zones. In this way, states with the most promising leadership would be recognized for their efforts to date, while states that have so far failed to articulate a vision of reform would learn from the winners and prepare for the next competition. Phasing in support for capacity building would also enable donors to commence such support on a basis that enhances the prospects for success.

6.26 Interest among the donors in assisting state reform is growing. DFID is already engaged in three states, and is expanding to a fourth. Studies have recently been conducted by the EU in six states, which could be recipients of future EU capacity building programming. USAID has undertaken a study of local government, and UNDP is also engaged in building government capacity. It would therefore be useful to increase the level of donor cooperation in this area by exchanging lessons learned to date and discussing criteria under which assistance is to be provided. The team therefore recommends that a modest workshop attended by representatives of states carrying out reforms, key FGN agencies and participating donors be held in the fall of 2001.

C. The Role of the Federal Government

6.27 The Federal Government has an important role to play in the promotion and coordination of any donor assisted program to build capacity within the states. Three functions are immediately apparent. (1) To draw out and disseminating lessons of experience, both past and future. (2) Coordinating support programs among participating donors. (3) Facilitating the proposed competition that might be established to identify appropriate states for donor support.

6.28 These functions could logically be the responsibility of the State and Local Government Affairs Office, a centrally located but hitherto thinly resourced agency which was created first as a ministry in 1993 to be the interface between the Federal Government and the other two tiers of government. If this responsibility is accepted by the FGN, plans could be drawn up to staff and resource the Office to discharge these functions and to raise its status within the Office of the Vice President. The State and Local Government Affairs Office will need to work closely with key agencies of the Federal Government which have a direct interest in the overall performance of state government, e.g. FMOF (especially the Home Finance Department), NPC, the Office of the Head of the Civil Service.

APPENDIX A: INDIVIDUALS INTERVIEWED FOR STUDY

The following people were interviewed for this report.

Anambra State (March 12-15, 2001)

His Excellency Honorable Prince Chinedu Emeka, Deputy Governor
P.A. Afuba, Attorney-General and Commissioner for Justice
Mrs. Henrietta Akpe, Auditor-General
A.O. Amaechina, member, Civil Service Commission
Alex L. Chukwurah, Permanent Secretary, Ministry of Health (and 7 directors of departments)
Mrs. Nnenna A. Egwuatu, Permanent Secretary, Ministry of Finance and Budget
O.A.U.L. Eleanya, Secretary and Head of Service, Local Government Service Commission
Ngozi C. Elowuatu, Director, Educational Services, State Secondary School Board
E.C. Emengo, member, Civil Service Commission
C.E. Emetarom, Permanent Secretary, Office of the Deputy Governor and Office of Local Government and Chieftaincy Affairs
A.C. Ezeanato, Chief Planning Officer, Ministry of Justice
Henry N. Ezeani, Permanent Secretary, Office of the Secretary to State Government
Victor Ositadinma Ezenwa, Secretary to the State Government
Clems Ezika, Chairman, Dunukofia Local Government Authority and 11 members of the local government council.
Mrs. Nkechi Ikedingwu, Chairman, State Secondary Education Board
Mrs. I.E. Ikemefuna, Head of Civil Service
Evelyn I. Magulike, Director, Bureau of Economic Affairs and Parastatals, Office of the Secretary to the State Government
C.C. Mgbacci, Permanent Secretary, Manpower Development
Victoria C. Mgbemma, Chief Administrative Officer for Management Services, Anambra State Civil Service
Augustine Nnalwe, Director, Establishments and Pensions, Anambra State Civil Service
Ben Nwankwo, Commissioner for Special Duties and Community Development (Joint Action on Development or JAD)
Mrs. Joy Nwokoye, member, State Civil Service Commission
M.A. Obi, Permanent Secretary, State Civil Service Commission
Alex Oabiogbolu, Chairman, Local Government Service Commission
H.U. Odikpo, Acting Chairman, Civil Service Commission
A.N. Okonkwo, Director of Science and Technology, State Secondary Education Board
Hon. Bart Onugibolu, Speaker, Anambra House of Assembly (and 28 other members of the House including the majority leader, chief whip and the chairman of the appropriations committee)
M.N. Oragudosi, Clerk, Anambra House of Assembly
E.O. Owuasaya, Permanent Secretary, Establishment & Pensions, Anambra State Civil Service
Fred N. Udechukwu, Commissioner, Ministry of Finance and Budget
Mrs. Ada Unobagha, Director of Public Prosecutions, Ministry of Justice

E.U. Uzodille, Chief Registrar, Ministry of Justice
C.O.L. Uzoh, Permanent Secretary, Ministry of Education (and four heads of departments)

Bauchi State (February 19-23, 2001)

His Excellency Alhaji Ahmadu Adamu Mu'azu, Governor
M.B. Ahmad, Secretary, Bauchi Local Government
Abubakar Mohammed Bibi, Managing Director, Bauchi Meat product Company Ltd.
Aliyu Bununu, Chairman, Bauchi Teachers Service Commission
S.S. Darago, Chief Judge, Bauchi State
B.H. Disina, Speaker, Bauchi House of Assembly (also the Clerk of the House of Assembly and the chairmen of the Finance and Public Accounts Committees)
Abdul Kadir Doguma, Director, Adult and Non-Formal Education
Hamidu Saidu Ghani, Chairman, Bauchi Local Government Authority (and members, Bauchi LGA Council)
Azumi Gidaelo, Commissioner, Teachers Service Commission
Abdon Gir, Permanent Secretary (General Administration), State Civil Service
Adamu I. Gumba, Head of Bauchi State Civil Service
M.A. Hussein, Permanent Secretary, Ministry of Health (and 6 heads of department).
Yusuf Ibrahim, Secretary, Primary School Board
Edna Ishaya, Programme Coordinator, Development Exchange Centre
Ahmed Liman Katagum, Chairman, Bauchi State Civil Service Commission
Abdullah Mohammed Koli, Chairman, Bauchi State Council, Nigeria Labour Congress (and members of the NLC state executive council)
Asiya Isuwa, Programme Coordinator, Development Exchange Centre
Hamza Lanzai, Minority Leader, Bauchi State House of Assembly
Abubakar Garba Lili, Commissioner, Bauchi State Civil Service Commission
Alhaji Ahmadu Adamu Mu'azu, Executive Governor, Bauchi State
Rahamet Hadiza Musa, Secretary for Microcredit NGO
Mohamed Bose Nabayi, Commissioner, Bauchi State Civil Service Commission
Linda Sogi, Project Secretary, WIN (a women's NGO)
Muhammad Nadada Umar, Secretary to the State Government
Ibrahim Yayu, Chairman, Katagum Local Government Authority
A.K. Yelwa, Commissioner, Bauchi State Civil Service Commission

Nasarawa State (February 26-March 2, 2001)

Ondaki M. Abari, Secretary, Public Accounts Committee, Nasarawa State House of Assembly
J.A.C. Abimiku, Chief Medical Director, State Hospital Management Board (and 7 directors)
Nawani Aboki, Permanent Secretary, General Administration
Anton Akika, Acting State Secretary

Yakubu Akwe, Auditor General
Phoebe Ayennajeh, Permanent Secretary, Ministry of Education (and 6 heads of department)
Bala Rabo Aynga, Deputy Speaker, Nasarawa State House of Assembly
Dr. Onje Gye-Wado, Deputy Governor
Antony Ibi, Acting Chairman, Civil Service Commission
Bala Galadima Ibrahim, Director, Bureau of Local Government and Chieftaincy Affairs
Phillip Iyakwari, Acting Permanent Secretary, Ministry of Health (and heads of department)
Journalists (11 representatives of the national press posted to Lafia)
Musa Bako Karshi, Executive Chairman, Karu Local Government Authority
Augusine A. Kaula, Chairman, Local Government Service Commission
Yakubu Abdul-Hamid Kwarra, Chairman, Public Accounts Committee,
Nasarawa State House of Assembly
Abdullahi Makere, Permanent Secretary, Deputy Governor's Office and P.S. for Bureau of Local Government and Chieftaincy Affairs
Josephine L. Namo, Commissioner, Teachers Service Commission (and three staff)
NGOs (representatives of the Nigerian Labour Congress, Country Women Organization of Nigeria, National Council of Women Societies, Women Rights Association)
David O. Odama, Senior Correspondent, *The Herald*
Francis Osome, Chairman, Doma Local Government Authority (and 15 councillors and staff)
Abubakar R. Tanko, Chief Secretary
Ahmed Ubangari, Chief Judge, Nasarawa State Judiciary
Avreson O. Yusuf, MP for Lafia Central Constituency, Nasarawa State House of Assembly, Lafia
Members, State Primary School Service Board

Ogun State (May 11-15, 2001)

His Excellency Olesegun Osoba, Governor
M.A. Adekambi, Director, Health Services
A.A. Adekumisi, Commissioner, Local Government Service Commission
W.A. Ademoye, Chairman, Ogun State Civil Service Commission
Kunle Adeshina, Chairman, Teaching Service Commission
Remi Adesoye, Permanent Secretary Bureau of Government and Administration, Office of the Executive Governor
Chief Femi Adewunmi, Commissioner, Ogun State Civil Service Commission
'Wale Bajomo, Permanent Secretary, Bureau of Rural Development (Electrification and Water) and Special Duties
H. Olu Dawodu, Chairman, Peasants' Dragnet
Tashim Dawodu, Chairman, Local Government Service Commission
F.O. Elias, State Secretary of CDAs
Tayo Fayomi, Permanent Secretary, Ministry of Education

F.A. Gbadamosi, Director, Community Development Services
G.O. Ogun, Head of Service, Office of the Executive Governor
O.O. Ogunsanya, Permanent Secretary, Civil Service Commission
Muyiwa Oladapo Oladipo, Speaker, Ogun State House of Assembly
M.A. Omfade, Commissioner, Local Government Service Commission
M.A. Onafuwa, Commissioner, Ogun State Civil Service Commission
Ayo Oni, Director of Hospital Services
J.O. Osibajo, Permanent Secretary, Local Government Service Commission
Olusegun Osoba, Executive Governor
A.O. Oyejide, Permanent Secretary, Bureau of Local Government and Chieftaincy Affairs
Representatives of the *Guardian*, Ogun State Television, etc.
Representatives of CDAs (community development associations).

Rivers State (March 5-10, 2001)

His Excellency Peter Odili, Governor
J.O. Abulokwe, Chairman, Rivers State Civil Service Commission
P.N.C. Agumagu, Justice, High Court of Justice
Ndagene Akwu, Chairman, Rivers State Council, Nigeria Union of Journalists
John F. Ala, Commissioner, Rivers State Civil service Commission
Stella Amadi, Institute for Human Rights and Humanitarian Law
C.R. Amaechi, Speaker, Rivers State House of Assembly
S.C. Amati, Chief Registrar, High Court of Justice
Nsirimovu Anyyakwee, Executive Director, Institute for Human Rights and Humanitarian Law
Mina B. Benebo, Permanent Secretary, Ministry of Justice
Mrs. B.A. Brade, Permanent Secretary, Post-Primary (Secondary) Schools Board
Aleruchi Cookey-Gam, Attorney-General
C.O. Enyinnaya, Permanent Secretary, Ministry of Finance
Jaye Gasku, Program Officer, Environment Rights Action
Monday Gbarage, Auditor-General for Local Government
Oluae Hycent, Permanent Secretary, Special Duties, Office of the Head of Service
Emmanuel Ibodeng-Njah, Chairman, Local Government Service Commission
Dan T. Ibubeleye, Chief of Protocol
Soloman G. Ibulubo, member, State Primary School Board
F.N.N. Ichoku, Justice, High Court of Justice
Felix Achinike Igwe, Special advisor to the Executive Government (Local Government and Chieftaincy Affairs)
D.G. Ikerechi, Permanent Secretary, Local Government Service Commission
Miriam Forbes Isoun, Executive Director, Niger Delta Wetlands Centre
Boma Iyaba, Permanent Secretary, Ministry of Education and 6 directors of departments
G.S. Jaja, Accountant-General
Sam Jaja, Executive Chairman, Rivers state Council, Nigeria Labour Congress
B.J. Koko, Head of Service, Obio/Akpor Local Government Authority

Ledum A. Mitee, President, Movement for the Survival of the Ogoni People (MOSOP)
Sir. Festus N. Ngochindo, Commissioner, Rivers State Civil Service Commission
Anyakwee S. Nsirimovu, Executive Director, Institute of Human Rights and Humanitarian Law
G.N. Nwachunkwu, Auditor-General
Alex Nwala, Acting Clerk, Rivers State House of Assembly
Emmanuel Ibodeng Nyjah, Chairman, Local Government Service Commission
E.J. Obon, Director, Niger Delta Women for Justice
Peter Odili, Executive Governor
Ngozi N. Odu, Permanent Secretary, Ministry of Health
Precious Oforji, Chairman, Finance Committee, Rivers State House of Assembly
O.C. Okara, Head, Deparment of Local Government
Otonyetarie I. Okoye, Director of Public Prosecutions
Ebenezer Omereji, Commissioner, Rivers State Civil Service Commission
P.O. Onuoha, Head of Service
Ben S. Orugbani, Commissioner, River State Civil Service Commission
Akeodi S. Oyaghiri, Commissioner of Finance
Emi Membere-Otayi, Commissioner for Health
Ben S. Orugbani, Commissioner, Rivers State Civil Service Commission
Akeodi Oyaghiri, Commissioner for Finance
Peter Ozo-Eson, Director of Projects, Centre for Advanced Social Science
Michael Peters, Secretary, Okrika Local Government Authority
Azibaola Robert, President, Niger Delta Human & Environmental Rescue Organisation
Mrs. Patience R. Schulze, Director of Budget
R. Siadapiri-Jaja, Permanent Secretary, Establishments, Training and Pensions, Office of the Head of Service
Mrs. Georgiana N. Tenalo, Commissioner, Local Government Service Commission
Nimi Walson-Jack, Executive Director, Centre for Responsive Politics, Rivers State
R.O. Wuna, Head of Service

Sokoto State, December 10-13, 2001

His Excellency Alhaji Aliyu Magatakarda Wamakko, Deputy Governor
Alhaji Muhammadu Dngyadi, Secretary to the State Government
Alhaji Ilyasu Abubakar, Head of Civil Service
Alhaji Saidu Bashar, Permanent Commissioner II, Civil Service Commission
Abdullahi A. Wai, Permanent Secretary, Ministry of Works
Mohammed Tukur Ibrahim, Permanent Secretary Establishments
Muhammad Sani Musa, Director Agricultural Services
Muhammad Harande Mahe, Permanent Secretary, State House of Assembly
Muhammad Galudima Horo, Chairman, Shagari LGA
Bala Musa Yabo, Chairman, Yabo LGA
Ahmed A. Tambari Sifawa, Vice Chairman, Boginga LGA
Y.A. Yahaya Nawawi, Auditor General
Alhaji Shehu Ibrahim, Local Government Auditor General

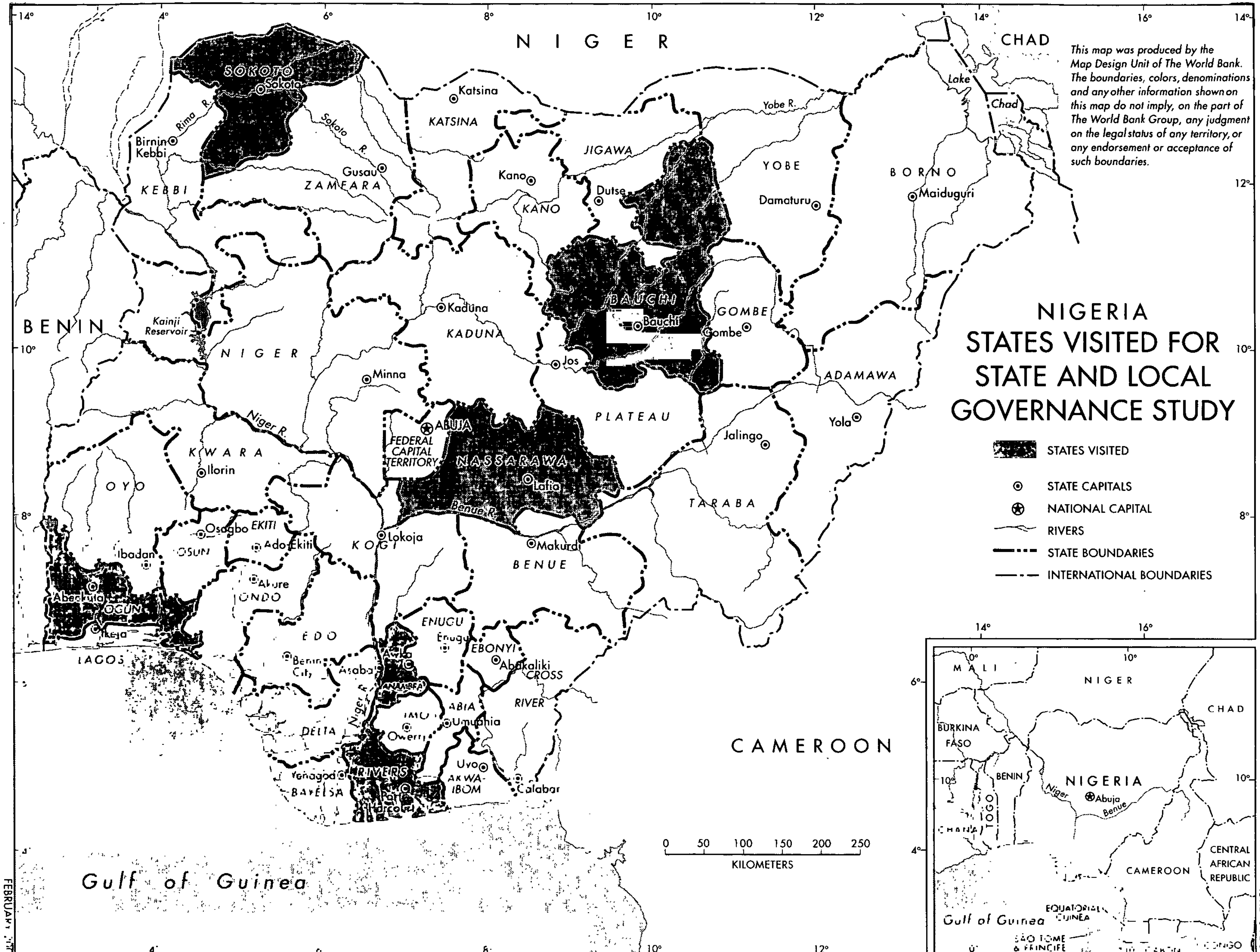
Sanusi Usman Jnaidu, Commissioner for Education
Alhaji Musa Ibuahim Sokoto, Chairman, Local Government Service Commission
Alhaji Shemu Bawa Guronyo, Director, Economic Planning Dept.
Garba Mohammad, Commissioner, Finance

Others

C.C. Agbaneje, Director (State Affairs), Office for State and Local Government Affairs, FGN
Cornell Obi, Director, State and Local Government Affairs Office, FGN
Kola Oluwatuyi, Assistant director, State and Local Government Affairs Office, FGN
Philip Ostien, Senior Lecturer, College of Law, University of Jos

APPENDIX B: CHARACTERISTICS OF NIGERIAN STATES

Name of State		Date of Foundation	Geo-Political Zone	No. of LGAs	Dominant Political Party	Has Implemented Sharia?
1.	Abia	1991	South-East	17	PDP	No
2.	Adamawa	1976	North-East	21	PDP	No
3.	Akwa-Ibom	1987	South-South	31	PDP	No
4.	Anambra	1991	South-East	21	PDP	No
5.	Bauchi	1976	North-East	20	PDP	Yes
6.	Bayelsa	1996	South-South	32	PDP	No
7.	Benue	1976	Middle-Belt	23	PDP	No
8.	Borno	1967	North-East	27	APP&PDP	Yes
9.	Cross River	1967	South-South	18	PDP	No
10.	Delta	1991	South-South	25	PDP	No
11.	Ebonyi	1996	South-East	13	PDP	No
12.	Edo	1963	South-South	18	PDP	No
13.	Ekiti	1996	South-West	16	AD	No
14.	Enugu	1946	South-East	17	PDP	No
15.	FCT	1976	--	6	PDP	No
16.	Gombe	1996	North-East	10	PDP&APP	No
17.	Imo	1976	South-East	27	APP&PDP	No
18.	Jigawa	1991	North-West	27	APP	Yes
19	Kaduna	1946	North-West	23	PDP	No
20.	Kano	1976	North-West		PDP	Yes
21.	Katsina	1991	North-West	34	PDP	Yes
22.	Kebbi	1991	North-West	21	APP&PDP	Yes
23.	Kogí	1991	Middle-Belt	21	APP	No
24.	Kwara	1967	Middle-Belt	16	APP	No
25.	Lagos	1976	South-West	20	AD	No
26.	Nasarawa	1996	Middle-Belt	13	PDP	No
27.	Níger	1976	Middle-Belt	25	PDP	Yes
28.	Ogun	1976	South-West	20	AD	No
29.	Ondo	1987	South-West	18	AD	No
30.	Osun	1991	South-West	30	AD	No
31.	Oyo	1946	South-West	33	AD	No
32.	Plateau	1967	Middle-Belt	17	PDP	No
33.	Rivers	1967	South-South	23	PDP	No
34.	Sokoto	1976	North-West	23	APP	Yes
35.	Taraba	1996	North-East	16	PDP	No
36.	Yobe	1991	North-East	17	APP	No
37.	Zamfara	1996	North-West	14	APP	Yes


NIGERIA
STATES VISITED FOR
STATE AND LOCAL
GOVERNANCE STUDY
STATES VISITED
STATE CAPITALS
NATIONAL CAPITAL
RIVERS
STATE BOUNDARIES
INTERNATIONAL BOUNDARIES
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NIGER
CHAD
BENIN
CAMEROON
Gulf of Guinea
Lake Chad
SOKOTO
Sokoto
KEBBI
Birnin Kebbi
ZAMFARA
Gusau
KATSINA
Katsina
KANO
Kano
JIGAWA
Dutse
YOBE
Damaturu
BORNO
Maiduguri
BAUCHI
Bauchi
GOMBE
Gombe
KADUNA
Kaduna
NIGER
Minna
Kainji Reservoir
PLATEAU
Jos
ADAMAWA
Yola
FEDERAL CAPITAL TERRITORY
ABUJA
NASSARAWA
Lafia
KWARA
Ilorin
OYO
Ibadan
OSUN
Osogbo
EKITI
Ado-Ekiti
ONDO
Akure
OGUN
Abeokuta
Ikeja
LAGOS
KOGI
Lokoja
BENUE
Makurdi
TARABA
Jalingo
EDO
Benin City
ENUGU
Enugu
EBONYI
Abakaliki
ANAMBRA
Awka
Asaba
DELTA
IMO
Owerri
ABIA
Umuahia
CROSS RIVER
Calabar
AKWA-IBOM
Uyo
RIVERS
Port Harcourt
BAYELSA
Yenagoa
Rima R.
Sokoto R.
Yobe R.
Niger R.
Benue R.
0 50 100 150 200 250
KILOMETERS
MALI
BURKINA FASO
GHANA
TOGO
BENIN
NIGERIA
Abuja
Niger
Benue
CAMEROON
CENTRAL AFRICAN REPUBLIC
EQUATORIAL GUINEA
SAO TOME & PRINCIPE
GABON
CONGO
IBRD 31535

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