

PROJECT INFORMATION DOCUMENT (PID) APPRAISAL STAGE

Report No.: PIDA1944

Project Name	State and Local Governance Reform Project (P133045)
Region	AFRICA
Country	Nigeria
Sector(s)	Public administration- Financial Sector (90%), Sub-national government administration (10%)
Theme(s)	Public expenditure, financial management and procurement (89%), Tax policy and administration (10%), Other public sector governance (1%)
Lending Instrument	Technical Assistance Loan
Project ID	P133045
Borrower(s)	Federal Republic of Nigeria
Implementing Agency	Kano State, CROSS RIVER STATE, Anambra State Government, Jigawa State Government, Osun State Government, Yobe State Government
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	01-Apr-2014
Date PID Approved/Disclosed	01-Apr-2014
Estimated Date of Appraisal Completion	18-Nov-2013
Estimated Date of First Grant Approval	30-Apr-2014
Decision	

I. Project Context

Country Context

1. Nigeria is a federal system made up of the federal government at the centre, thirty six state governments, a federal capital territory administration and 774 local government councils (LGCs). All levels of government have constitutionally guaranteed shares of federally collected revenues which accrue to the federation account. Under the revenue sharing formula currently operated in the country, about 52.68%, 26.72% and 20.60% of federation account revenues accrue to the federal, state and local governments respectively. There are also VAT revenues shared in the ration of 15%, 50%, and 35% to the federal, state and local government tiers of government respectively. In addition to the federally collected revenues, the states also benefit from some other independent revenues which accrue from sources like personal income tax, property tax and investment incomes.

2. With control of about half of public revenues, it is obvious that, the quality of public finance management at sub-national level will have significant impact not only on the overall fiscal

management and macro-economy of Nigeria, but also on the ability to improve service delivery and reduce poverty.

3. Nigeria is the most populous country in Africa with a population of 171.5 million (NBS, 2012). It is the third largest economy in Africa with a Gross Domestic Product (GDP) of US \$263.73 billion (2012) and a nominal per capita GDP of \$1538 (2012). It is predominantly dependent on its oil sector which accounts for over 95% of its foreign exchange earnings and 80% of government revenue. The country's dependence on oil makes the economy highly vulnerable to oil price shocks.

Sectoral and institutional Context

Sectoral and institutional Context

5. Public financial management systems are generally weak in Nigeria and are particularly worse at the sub-national levels of government. More significantly, reforms at the federal level (e.g. procurement, fiscal responsibility and budget reforms) are not automatically applicable to sub-national levels of government, as states have to institute their own reforms. The weaknesses in economic, fiscal and public financial management systems at sub-national levels naturally impact negatively on whatever efforts or accomplishments the federal government has made in these areas. It is also worth noting that even though Nigeria has a vibrant civil society, their capacity to positively engage governments on policy and governance reforms at the state and local levels and improve demand side governance on issues such as budget, procurement and monitoring and evaluation remains weak.

6. To better understand the issues and challenges in governance and Public Finance Management (PFM) in the six participating states, this project relies on a number of analytical works, including state level Public Expenditure Reviews (PERs), Public Expenditure and Financial Accountability Review (PEFA), and Public Expenditure Management and Financial Accountability Review (PEMFAR) that have been undertaken in participating states in the last four years. These studies and a formulation study undertaken for this project in 2010 highlight a number of challenges and vulnerabilities in Public Finance Management in the six participating states though in varying degrees. In the reports of the PEFA studies conducted in the six states in 2011, it is evident that the challenges in PFM cut across the six main dimensions of the PEFA Performance Measurement Framework namely: (i) credibility of the budget, (ii) comprehensiveness and transparency, (iii) policy based budgeting, (iv) predictability and control in budget execution, (v) accounting, recording and reporting, and (vi) external scrutiny and audit.

7. Three of the participating states (Cross River, Anambra and Yobe) have had prior engagements with the Bank on PFM reforms, either under the State Governance and Capacity Building Project (SGCBP; P074447), which was implemented on a pilot basis, or the preparatory arrangements for the follow-on Public Sector Governance Reform and Development Project (PSGRDP; P097026). All the six participating states also received varied support under the EU funded Support to Reforming Institutions Programme (SRIP). While the Bank has received a request from the Federal Government of Nigeria to continue the thrust of improving state capacity for public financial management already initiated in these states, these states have demonstrated their commitment by agreeing to action plans that came out of the PER/PEMFAR analytical work. Some of the states are also already making efforts to implement some of the recommendations through on-going PFM reform activities.

II. Proposed Development Objectives

The Project Development Objective (PDO) is to improve transparency, accountability and quality in public financial management in the participating states.

III. Project Description

Component Name

Component A: Public Financial Management Reform

Comments (optional)

Component Name

Component B: Support to Local Governance

Comments (optional)

Component Name

Component C: Project Coordination

Comments (optional)

IV. Financing (*in USD Million*)

Total Project Cost:	73.05	Total Bank Financing:	0.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			0.00
ECD FOR REGIONAL CENTERS			73.05
Total			73.05

V. Implementation

SLOGOR is a multi-state project and, as it is the case with such projects in Nigeria, there will be a National Project Coordinating Unit (NPCU) at the Federal level, located in the National Planning Commission (NPC), responsible for the coordination and facilitation of project activities. The Unit will carry out specific activities, which include: providing technical and quality assurance support to states based on need and/or requests; monitoring implementation progress and producing an annual progress report; coordinating, consolidating and circulating information from various states and facilitating knowledge sharing; coordinating mid-term reviews and post-evaluations, for each state. The NPCU will be supported by a team of consultants on Public Financial Management, Monitoring & Evaluation, Communication and Procurement who will be engaged on a needs basis to provide technical support and quality assurance to the states. For effective project management, the NPCU will competitively engage a full time Project Officer in addition to other public officers assigned to the project activities. The Federal Project Financial Management Division (FPFMD) located in the office of the Accountant General of the Federation will assign qualified accountant and internal auditor to the NPCU.

Each state will have the primary responsibility for the implementation of the project in the state.

Based on each state's structure, the MDA responsible for donor coordination, or in the alternative, the MDA responsible for Finance, Budget and/or Economic Planning will be the parent ministry with the overall responsibility for coordinating the implementation of project activities in each state and will be accountable to the State Steering Committee of the Project. The state will establish the State Project Coordinating Unit as its main operational unit to manage and coordinate the project on a day-to-day basis. Detailed implementation arrangements will be provided in the Project Implementation Manual to be prepared at the start of the project.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12		x
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

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