



Third Lagos State Development Policy Operation (P151947)

AFRICA | Nigeria | Macro Economics & Fiscal Management Global Practice |
IBRD/IDA | Development Policy Lending | FY 2015 | Seq No: 1 | ARCHIVED on 08-Jul-2016 | ISR23554 |

Implementing Agencies: Lagos Ministry of Finance

Key Dates

Key Project Dates

Bank Approval Date: 26-Jun-2015

Effectiveness Date: 08-Mar-2016

Planned Mid Term Review Date: --

Actual Mid-Term Review Date: --

Original Closing Date: 30-Jun-2016

Revised Closing Date: 31-Dec-2016

Program Development Objectives

Program Development Objective (from Program Document)

To support the Lagos State Government in its endeavor to improve public finances and the investment climate, which is expected to contribute to sustained rapid economic growth and poverty reduction in a fiscally sustainable manner. The operation has four pillars: (a) Fiscal Sustainability, (b) Budget Planning and Preparation, (c) Budget Execution, and (d) Investment Climate.

Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	--	● Moderately Satisfactory
Overall Implementation Progress (IP)	--	● Satisfactory
Overall Risk Rating	--	● Substantial

Implementation Status and Key Decisions

- Implementation progress is satisfactory.** The government has successfully adjusted its fiscal position in response to the oil price collapse. It strengthened IGR collection; initiated closer control and monitoring of payroll costs, overheads and transfer expenditure; and restructured commercial bank domestic debt and state bonds.[1]
- The mission confirmed that there has been no roll-back in the reforms that formed the basis of the DPO.** The new Administration is in fact endeavoring to scale up the reforms to ensure full and sustainable achievement of the development outcomes of the operation. The following summarizes progress achieved under each of the pillars.
- The government has successfully implemented some fiscal measures in response to the oil price shock.* The budget performance for the first quarter 2016 shows stable IGR collection by the Lagos Internal Revenue Service amidst declining economic activities, lowered personnel cost and overhead, a reduction in debt service payments as a result of domestic debt restructuring, and reduced transfers to MDAs and parastatals through restructuring of government agencies. These measures generated additional fiscal space for increased capital expenditure on infrastructure, domestic security and the social sector. As the new government abolished the Parastatal Monitoring Unit in September 2015, the Lagos State Accountant General will continue monitoring fiscal risks associated with financial activities of state



- parastatals (Prior Action # 1) and will publish their consolidated financial statement together with the government's annual financial statement.
4. *Reform of budget planning and preparation (Prior Action #2) through the implementation a Medium-Term Expenditure Framework (MTEF) is deepening.* The 2015 budget was re-ordered in September 2015 to increase capital spending on some priority projects.[2] The government prepared a 2016 budget that is broadly aligned with the 2016-18 medium-term expenditure framework and the 9 COFOG-based sectoral strategies developed in accordance with the LSDP priorities. For the 2017 budget, the Ministry of Economic Planning and Budget has proposed a budget calendar that will initiate the budget planning process in July 2016 with a target date for budget approval by Lagos State Assembly by end October 2016 with a view to improve the performance of the capital budget. In addition, the government will pilot performance budgeting in 10 ministries.
 5. *Reform of budget execution (Prior Actions #3-6) is on track with further progress in some areas.* Implementation of the P2P module in 8 MDAs (accounting for 85 percent of the capital budget) is on course as the systems-generated budget execution reporting format has been utilized to full advantage, and the commitments and obligations outstanding for each of the 8 MDAs can be generated in real time. In addition, P2P has been rolled out to 6 additional MDAs, and a further roll-out to more MDAs is in progress. The government has begun the rationalization of its banking arrangements through the selection of three commercial banks as the main holders of the State's consolidated revenue fund (CRF) for budget management purposes (as opposed to, hitherto, 19 commercial banks). In addition, apart from the deficiencies in the legacy chart of budget and accounts classification, the electronic integration of the payroll with the general ledger, which was successfully accomplished during the operation, continues to facilitate the direct posting of payroll expenditures for timely reporting in the fiscal accounts of the State Government. Going forward, further improvements are envisaged as soon as the new budget and account classification system is implemented so as to decipher, clearly, the constituent elements of the 'compensation of employees' in the fiscal reporting process. In regards to procurement, the two reforms remain on track without reversal.
 6. *The investment climate reform (Prior Actions # 7-8) supported by the TLSDDPO has improved Nigeria's rank in the 2016 Doing Business.* Nigeria's position regarding registering a property improved by 4 positions (from 185th in 2015 to 181st in 2016) as a result of the lowered cost of land transactions. The electronic Planning Permit (e-PP) website has been launched, and submissions of planning permit requests using e-PP was operationalized in May 2016. The public, however, continues to submit requests for manual processing. The Planning Permit Authority under the Ministry of Physical Planning and Urban Development (MPPUD) has been conducting an intensive communication campaign to increase the submission of requests through the electronic portal.

[1] Commercial banks' loans were restructured (increasing their maturities to 20 years and lowering the interest rate to 12 percent) to reduce the debt service burden. The existing two state government bonds were restructured through pre-payments of principal to lower interest payments.

[2] They include the construction of a pedestrian bridge at Ojodu Berger and fly-over bridges at Ajah Roundabout and Pen Cinema, Agege; the continuation of the construction of a blue light rail project and the Lekki-Epe Expressway; the acquisition of emergency/rescue helicopters and heavy duty equipment (cranes and forklift); and for Employment Trust Fund and Wealth Creation Programs.



Risks

Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	● Substantial	--	● Substantial
Macroeconomic	● Substantial	--	● Substantial
Sector Strategies and Policies	● Moderate	--	● Moderate
Technical Design of Project or Program	● Moderate	--	● Moderate
Institutional Capacity for Implementation and Sustainability	● Substantial	--	● Substantial
Fiduciary	● Substantial	--	● Substantial
Environment and Social	● Moderate	--	● Moderate
Stakeholders	● Moderate	--	● Moderate
Other	--	--	--
Overall	● Substantial	--	● Substantial

Results

Results Indicators

► Fiscal deficit to GDP (below 3 percent of GDP) (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Fiscal deficit 0.38% of GDP	--	Fiscal surplus 0.09% of GDP	Deficit not exceeding 3% of GDP
Date	31-Dec-2013	31-Dec-2013	31-Dec-2015	31-Dec-2015

Comments

The results framework for Lagos DPG3 was revised as per management decision at ROC review.
The fiscal balance in 2015 was in surplus.



► Debt Service to Revenue (Below 30 percent of total revenue) (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	19.3% of total revenue	--	32.8% of total revenue	Below 30% of total revenue
Date	31-Dec-2013	31-Dec-2013	31-Dec-2015	31-Dec-2015

► Enhanced transparency in reporting fiscal risks to the budget (Yes/No, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	N	--	Y	Y
Date	31-Dec-2013	08-Oct-2014	31-Dec-2015	31-Dec-2015

Comments

This is measured by publishing of consolidated financial statements for 15 key state owned enterprises

► Revenue from land use charge (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	N7.1 billions of Naira	--	6.6 billions of Naira	8.0 billions of Naira
Date	31-Dec-2013	31-Dec-2013	31-Dec-2015	31-Dec-2015

► Share of Budgetary Expenditure devoted to Education and Health (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	13% and 9% respectively	--	17.1% and 9.8% respectively	Maintain the respective shares at 13% and 9%.
Date	31-Dec-2013	08-Oct-2014	31-Jan-2016	31-Dec-2015



► Contracts Greater than N100 Million Using Standard Bidding Documents (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0%	--	Below 100%	100%
Date	31-Dec-2013	08-Oct-2014	31-Dec-2015	31-Dec-2015

► Average overall reduction in time scale of procurement implementation from bidding to contract award (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	173 days	--	Not available	138 days
Date	31-Dec-2013	08-Oct-2014	08-Oct-2014	31-Dec-2015

Comments

The Lagos Public Procurement Agency has not conducted a survey that will inform an actual reduction in time for procurement implementation due to change in the general manager..

► Percentage of Contracts Subject of Post-Procurement Review (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	5.00
Date	31-Dec-2013	31-Dec-2013	31-Mar-2016	31-Dec-2015

► Improved scope of audit by Lagos Auditor General as measured by the number of Organizations audited (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	99.00	96.00	141.00	110.00
Date	31-Dec-2013	31-Dec-2013	31-Dec-2015	31-Dec-2015



► Coverage of budget by Auditor General's Office (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	67.00	67.00	91.70	69.00
Date	31-Dec-2013	31-Dec-2013	31-Dec-2015	31-Dec-2015

► Improved cash management in budget implementation in 8 selected MDAs through monitoring of expenditure commitment and obligations (Yes/No, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	N	N	Y	Y
Date	31-Dec-2015	15-Oct-2014	31-Dec-2015	31-Oct-2015

► Real time reporting of payroll expenditure in the state's monthly financial statements (Yes/No, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	N	N	Y	Y
Date	31-Dec-2013	31-Dec-2013	31-Dec-2015	31-Dec-2015

► GIS Mapping Created With Orthophotos (Yes/No, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Y	Y	Y	Y
Date	31-Dec-2013	31-Dec-2013	31-Dec-2015	31-Dec-2015



► Total Number of e-CofOs issued (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	2500.00	5625.00	3600.00
Date	31-Dec-2013	08-Oct-2014	31-Dec-2015	31-Dec-2015

Comments

These eCofOs (5,625) were signed by the Governor during May 2015-March 2016.TT

► Cost of Registering Land as a Percentage of Property Value (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	20.80	21.00	10.10	14.00
Date	31-Dec-2013	08-Oct-2014	31-Dec-2015	31-Dec-2015

► An operation e-PP system including disaggregated gender data that regularly issues planning permits in Lagos State (Yes/No, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	N	--	Y	Y
Date	31-Dec-2013	31-Dec-2013	31-Dec-2015	31-Dec-2015

Comments

The e-planning permit (e-PP) portal was publically operationalized in May 2016 and there are 15 planning permits submitted to the e-PP portal.

Overall Comments

Data on Financial Performance

Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	Disbursed
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P151947	IDA-56700	Effective	XDR	142.30	142.30	0.00	142.30	0.00	<div style="width: 100%; height: 15px; background-color: #28a745;"></div>	100%
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Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P151947	IDA-56700	Effective	26-Jun-2015	15-Jan-2016	08-Mar-2016	30-Jun-2016	31-Dec-2016

Tranches**Restructuring History**

There has been no restructuring to date.

Related Operations

P123352-Nigeria Lagos Second State Development Policy Credit