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**EDO STATE GOVERNMENT OF NIGERIA  
OFFICE OF THE GOVERNOR**

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March 26, 2015

Dr. Jim Y. Kim  
President  
The World Bank  
1818 H Street, NW  
Washington, D.C. 20433

Dear Dr. Kim,

**Edo State Government: Letter of Development Policy**

1. On behalf of the Edo State Government, I write to request for the Edo State Fiscal Improvement and Service Delivery Credit of US\$75 million equivalent from the International Development Association (IDA) to be provided through the Edo State Fiscal Improvement and Service Delivery Development Policy Operation (ESFIDO) in support of our economic transformation program whose framework has been outlined in our Edo State Strategic Plan 2010-2020. The funds provided will help to fill a financing gap that exists in the budget for implementing our development program. At the same time, the operation will also support Edo state to adopt and/or strengthen policy and institutional reforms in support of our development agenda.
2. The proposed Operation will support the deepening of policy and institutional changes in the following areas: (i) Fiscal sustainability; (ii) Budget institutions and practices; (iii) Access to land for investment and (iv) Quality of education. As part of efforts to improve fiscal sustainability, the state is continuing to adopt measures to improve its internally-generated revenue as well as further sanitize its payroll to prevent expenditure leakages. As part of measures to improve its budget institutions and practices, the state would further strengthen its public procurement institutional structure by instituting a procurement professional cadre in the state public service. The state has also adopted a more robust budget classification system and chart of accounts in order to strengthen its Public Financial Management (PFM)

information management system. It is configuring the Hyperion Budget module of its Oracle budget management system in line with a new national Chart of Accounts/budget classification system. Furthermore, the state is also fine tuning and upgrading its deployment of the Procure-to-Pay (P2P) module of the system. Building on earlier progress made in aligning its annual budgets with its strategic policy priorities, the state has aligned its 2015 budget with the sectoral priorities outlined in its State Strategic Plan. The state would build on this process by preparing its 2016 budget based on more formal, costed MTSSs covering the period 2016-2018 and which would also be published on the state's open data portal. In addition, the state is strengthening external oversight by further improving the timeliness of preparing and submitting its audited financial statements to the state parliament. In order to improve access to investment land, the state seeks to reduce land transaction charges with a view to increasing the volume of formalized transactions. In terms of improving the quality of education, Edo will strengthen public-private partnerships in TVET education and improve accountability through greater involvement of the established School-based Management Committees. More details on the proposed reforms to be supported under the ESFISDO are set out in Part C of this letter.

#### **A. Reporting on the First Edo State DPO**

3. The first Edo State Growth and Employment Support Development Policy Operation was approved by the Board of the Bank in March 2012. However, due to delays at the national parliament in approving the national borrowing plan for 2012, it became effective in June 2013 and we received the funds in September 2013. The proceeds were a useful boost to our own budget resources but most importantly, the policy dialogue under this operation played a strong catalytic role in helping to steer our government on the path of policy reform while pursuing our development objectives in the areas of infrastructure development, information and communication technology and human capital development. The complementarity between DPO-1 and other Bank operations in the state were especially useful. Edo state received technical and financial assistance from the State Employment and Effectiveness for Results (SEEFOR) project as well as technical assistance from the Niger Delta Social Accountability (NDSA) project and these have strengthened the capability of the state to implement public financial management, education sector, overall governance and social accountability reforms.
4. The reforms being supported under ESFISDO for the most part represent a deepening of reforms that were supported under the first DPO. Under this engagement, as part of public financial management reforms to improve overall economic governance, we commenced a process of strengthening our public procurement practices through increased competition and transparency. We introduced a system of making public, information on contract awards above specified thresholds for transparency and social accountability purposes. We also enacted a modern public procurement law that defines the principles and procedures to be applied in the public procurement of goods, works and services. Further, we established a Public Procurement Regulatory Agency responsible for regulating the implementation of the public procurement law as well as inaugurated a state Procurement Council responsible for public procurement policy directions, in addition to this, we recently approved the

establishment of a professional procurement cadre in the state civil service system. This means that we have developed a system where civil servants can choose to become professional procurement officers in the state. All public contracts above threshold are now competitively awarded. Edo also began building a modern, computerized budget and treasury management system across its budget process. In this regard, the state is progressively ensuring that our expenditure management systems, including the implementation of a commitment control system, are progressively robust and all budget expenditures are transacted through this (Oracle-based) financial management system, with the required in-built controls. The timeliness of preparation of the State government's annual accounts as well as the external auditing of these accounts has also progressively improved from 15 months now to nine months. As part of investment climate reforms, we undertook a comprehensive workflow review of the processes and time taken to obtain land titles with the aim of streamlining these processes. We then streamlined the processes on this basis and it is now possible to process land certificates of occupancy at the Ministry of Lands & Survey within 30 days, compared with over 60 days previously. As part of reforms to improve the quality of education in the state, and in particular, technical and vocational education (TVE) to meet the state's requirements for high quality middle level manpower, Edo established school-based management committees for TVE institutions to improve governance of these institutions and consequently the quality of training received at these institutions. In order to build a strong platform for social accountability, the state unveiled an open data portal in 2013 which is to some extent, interactive and allows the state open up its activities to public scrutiny. The annual budgets, audited financial statements and public contract awards are published on this portal. This initiative has become a reference point for other states in Nigeria.

5. We have been very conscious of our obligation to the people of Edo state to deliver high value public services under a strong governance environment and the policy and institutional reform program supported by the DPO has been very useful in this regard.

#### **B. Edo State's Development Agenda - Progress under Edo State Strategic Plan 2010-2020**

The current Government of Edo State under my leadership was re-elected for a second term of four years on July 14, 2012 and was inaugurated on the November 12 of the same year. Since inauguration, we have continued to maintain the momentum of executing development programs spanning physical to human development. We have maintained a deliberate policy of investing in infrastructure development across the eighteen local governments of the state.

Before the end of the last term of four years (2008-2012), working very closely with the Economic and Strategy Team (EST) and all the Ministries, Departments and Agencies (MDAs) in the state, we developed a state-owned strategic plan of 10 years known as the State Strategy Plan (SSP) which is aimed at guiding development planning and policy initiatives for the people of the state. The SSP built on our earlier strategy - the Edo Vision 2020 – and is anchored on three main pillars, namely: (i) *People* (building the human capacity of Edo citizens with emphasis on Water, Health and Education), (ii) *Infrastructure* (with an emphasis on Power,

Housing, Transport, Tourism, Roads and Drainage), and (iii) *Production* (emphasis on Agriculture, Industry and Commerce). The Edo SSP seeks to position the Edo economy on a sustainable growth trajectory and prioritizes plans to significantly increase internally generated revenue (IGR) in order to reduce dependence on largely oil revenue-based federal allocations as well as ensure fiscal sustainability.

### ***People (Water, Health & Education)***

As a government we believe that the educational sector is the only sustainable investment that can guarantee the future of the state, hence in our first four years we concentrated in rebuilding the existing infrastructure and building new ones where they do not hitherto exist. A Total School Transformation Program through which about 435 classrooms across all the state LGAs have been renovated and equipped. However in our second term beginning from 2012 we came to the realization that communities must be involved in the management of the schools in the state. This led to the establishment of School Based Management Committees (SBMCs) across most of the schools to assist with quality monitoring and reporting.

We also went a step further by organizing and building the capacity of the technical colleges to develop school improvement plans (SIP) upon which their priorities are costed and directly funded and managed by the SBMCs and School Project Implementation Committees (SPICs). We have begun to monitor teacher attendance in schools in the state and recently concluded a process to competitively recruit and deploy new teachers to schools.

In health, a significant amount of hospital reconstruction has been undertaken including the Central Hospital in Benin which has been upgraded to a full scale tertiary hospital. Staff quarters have been built at all General Hospitals (we have one general hospital in each LGA outside of the three LGAs that make up Benin City). We have constructed/renovated more than 30 Primary Health care centres across the three senatorial districts, we have renovated infrastructure at the schools of – Nursing, Midwifery and Health Technology. We have also invested in equipment for all 33 state government-owned hospitals and have addressed staff morale and training requirements.

In terms of water supply, my administration has invested heavily in rural water infrastructure and so far, we have deployed boreholes in more than 35 communities across the three senatorial districts. Following this, we commenced a program in 2013 aimed at building the capacity of benefitting rural communities to create vehicles that will handle fund raising (via daily/weekly collections from community residents), financing of monthly running costs and day-to-day management of the boreholes from the funds raised. We have so far implemented this initiative at benefitting communities in three pilot LGAs.

We are currently preparing to invest in studies to determine how best to approach urban and semi-urban water management. This is in the light of the growth of urban and semi urban areas and their water requirements relative to the installed capacity of existing state owned water utilities; significant investments made by households and commercial entities in boreholes and the impact (of boreholes) on the aquifer.

### ***Infrastructure (Power, Housing, Transport, Tourism, Roads & Drainage)***

In my first term in office (specifically between 2009 and 2012), my administration contracted more than 450km of roads (with associated drainage and furnishings) across the State. To date, we have completed and commissioned more than 80% of this and have (during my second term) contracted additional road works targeted at:

- Metropolitan arterial road development – to decongest main metropolitan highways by flowing traffic unto arteries that interconnect multiple city highways. In Benin City for example, we have completed repair works on 1<sup>st</sup> East Circular Road and have awarded contracts for the upgrade/expansion of the 2<sup>nd</sup> East Circular Road and upgrade of the West Circular Road
- Rural roads development – to enhance access to schools, hospitals/primary health centres, farms and markets. Examples of completed works in this area are the construction/rehabilitation of Igbanke internal roads, Irrua-Usugbenu-Ugbegun road, Damgbala-Ojah-Uneme-Osu-Igarra road, etc.

On drainages, we have concluded phase 1 and made significant progress on phase 2 of the Benin-city storm water control project. It will be recalled that the 1<sup>st</sup> phase provides drainage infrastructure to collect storm water from the Ugbowo-Okhoro-New Benin axis and empties into Ikpoba River, while the 2<sup>nd</sup> phase is designed to collect storm water from the Ugbowo-Uwelu-Siluko axis and empties into Ekenhuan River. The completion of phase 1 has enabled us design and construct drainages (along highways and arterial roads in that axis) with gradients that channel into the storm water drainage. The same is expected upon completion of phase 2.

In 2014, we launched a new urban transport system in Benin Metropolis. This system is designed to integrate the existing Bus Mass Transit Service “Comrade Bus” to a new mini-cab service. Each service operates within dedicated zones and routes. The mini-cab service is a PPP initiative targeted at operators of the proscribed commercial motorcycle “okada” transport service. The “Comrade Bus” service was introduced during my 1<sup>st</sup> term in office, to address transportation challenges in the state and linking of towns/villages to interstate roads.

Our medium term objective on housing is to facilitate access to land for development of affordable housing on PPP basis. To this end, we have decided on the provision of affordable housing in the three senatorial districts via PPP and (by Q2 2015) we will contract a suitable consultant to conduct a state wide survey of housing deficit at the low and medium income levels and advise Edo State on effective strategies to close identified housing gaps. Our blueprint for affordable housing will be ready for implementation by Q4 2015 and will serve as basis for procurement of housing developers via PPP.

On electricity, we have (through our Rural Electrification Agency) made significant investments in rural electrification infrastructure including transformers, feeder pillars, high tension cables, etc. in all, more than 80 communities spread across 15 local government areas have experienced first time or improved electricity supply resulting from our rural electricity infrastructure investments. At State level, we are looking to provide land (and associated right of way) to enable significant growth in power production by 2020 (Edo State aims to produce 1 of every 5

megawatts of electricity produced in Nigeria by 2020). So far, we have completed (federal government owned) gas fired 450mw power plant in the outskirts of Benin City and a PPP based 2<sup>nd</sup> (gas fired) 450-750mw power plant under construction in the same vicinity; two PPP based gas fired power plants are in the offing. My government is currently looking to encourage power production from renewable sources as well and as a first step we are looking to conduct a feasibility study at the state owned Ikpoba River dam to determine its potential for hydro-power pari-pasu water supply to the metropolis. We will further invest in feasibility studies (and site/location analysis) for solar based power generation in Edo Central and Edo North.

### ***Production (Agriculture, Industry & Commerce)***

In view of the importance of agriculture to accelerating economic growth and galvanizing the people for food production, crime reduction and engendering a violence free society, we have been actively involved in engaging serious minded, reputable and financially capable investors in the development of mechanized agriculture in the state. In 2014 we gave out up to 50,000 acres of land for rice production (in Edo north) under a Public Private Partnership arrangement. The uniqueness of this approach is that the communities have also been given opportunity to participate in the production process and also benefit from the availability of technology and knowledge transfer. Under this same window, the private company will collaborate with the state College of Agriculture to establish a Rice Institute at the College of Agriculture Technology that will teach courses on the development of new initiatives for rice production and milling. We are currently reviewing applications for over 250,000ha of land from prospecting investors interested in commercial agriculture for Palm, Cassava, Rubber and Rice. Our Agribusiness investment initiatives are tied to the state government's outgrower scheme, commercial agribusiness investors in Edo State are obliged to participate/support the scheme (this is enshrined in the land concession agreement).

We have also taken steps to attract our youth to agribusiness via the Edo Youth Agribusiness Initiative "Comrade Farmers". This is a capacity building programme for unemployed youths who are being encouraged to embrace agriculture as a business and source of income. They are trained on modern techniques in Cropping, Grass cutter farming, Snail farming, Goat rearing, Cattle rearing and Piggery management. Over 1,300 young Edo residents have been trained including 180 Edo citizens that returned from Libya as a result of the Libyan crisis.

Our policy thrust for industrialization is to utilize abundant electricity to promote and encourage large, medium and small scale industrial development for job creation. Through partnership with the private sector, the State Government will acquire adequate land in strategic locations (around ongoing IPP projects) for the development of industrial layouts/parks to take advantage of emerging power generation. The first industrial estate in Ologbo (near Benin) in partnership with a private firm has kicked off, the state government is currently assisting with obtaining an Export Processing Zone (EPZ) license for the project.

At the start of the 2<sup>nd</sup> quarter in 2014, I set up a committee of the state executive council to work with the ministry of commerce and the EST to develop a framework for intervention in the micro-small-and-medium-enterprise (MSME) sector of Edo State. The Committee submitted its

report in good time and its recommendations have become the basis for our application to the CBN to participate in the MSME Development Financing Scheme.

### **C. The State's Policy and Institutional Reform Program**

My government over the past six years has demonstrated that with focused leadership, team spirit and a right planning approach, we can be more efficient in managing resources; no matter how little; to cater for the greater interest of the larger population and improve the quality of life of the citizenry. We have come to a pleasant conclusion that real and impactful development is possible in Africa and indeed in Nigeria. We however realize that pursuing a large infrastructure and human development agenda without necessary policy and institutional reforms poses challenges for long term sustainability. We have therefore committed ourselves to reforming the way government services are administered in our state. We are interested in leaving behind a legacy that can be sustained by succeeding governments; hence we are strengthening our policy and institutional environment to enable this. We very much welcome the support of the new DPO to assist us in this regard. In this letter, I will limit myself to three main aspects of this policy and institutional reform agenda: (i) Improving the management of our public resources to ensure maximum value for scarce resources; (ii) Improving the investment climate to trigger an inflow of private investment into the state; and (iii) Improving the quality of education to empower our youths to take up emerging employment opportunities from an expanded private sector.

#### **(i) Improving the Management of Public Resources**

All tiers of government in Nigeria are disproportionately dependent on oil revenues from the center. Given the volatility risks associated with oil revenues, as has been evident once again since mid-2014, it is especially important for Edo state to properly manage the resources it gets; while at the same time, build more sustainable sources of revenue. As part of efforts to improve the management of our resources, Edo is prioritizing the following: (a) mobilization of internally-generated revenue (IGR); (b) efforts to plug expenditure leakages especially payroll expenditure; (c) establishment of a strong PFM institutional platform; (d) improvement in practices in strategic planning and budget preparation; (e) improved budget execution and monitoring; and (f) improved practices in internal and external auditing.

- *Mobilization of Internally-Generated Revenue (IGR)*

In order to mobilize and grow its IGR, Edo is prioritizing collections from other sources besides direct income taxes. IGR in proportion of total Edo state revenue is less than 25 per cent. Collections from direct income taxes in the formal sector comprise the bulk (about 60 per cent) of our IGR but can be affected by factor beyond our control because legislation for this tax type is under federal jurisdiction. The 2011 amendment to the Personal Income Tax Act which granted huge tax reliefs to majority of taxpayers resulted in a significant real decline in tax revenue accruable to the Edo state in 2012 We have now introduced a Land Use Charge Law in 2012 (incorporating the Ground Rent, Tenement Rate and the Property Tax) to consolidate all land related charges under one single charge for ease of administration and collection.

Administration of this tax handle, however, commenced only in 2014 but promises to deliver considerable tax returns as the state adopts measures to expand its land use tax base. Second, we enacted the Hotels and Events Centers Occupancy and Restaurant Consumption Law in 2011 and thereby introduced a consumption tax targeted at the hospitality industry which ensures that a minimum tax of 5 percent on goods and services consumed at these facilities accrues to the state government. Full implementation of this law commenced in 2013. Furthermore, we are in the process of reviewing the Entertainment tax law and have recently issued new regulations for conduct of Lottery, Pools Betting, Casino and Gaming activities in the state, with a view to optimizing tax revenue collection from these activities. Regulations for online lottery, casino and gaming activities are about to be finalized. A significant amount of IGR is expected to accrue from this source given the vibrant market that exists as a result of the large youth population in the state.

We are also improving our capability to mobilize internal revenue. After our government came into office in 2008, we were able to increase our IGR significantly by over 250 percent between 2008 and 2011 as we implemented measures to eliminate inefficiencies in revenue collection and plug many sources of leakage. Tax audits were conducted and a sizeable amount of the increased collections were tax arrears accruing from back tax assessments. However, we recognize that there is a huge potential to improve IGR further. Also, we estimate that the number of tax payers captured in the tax net is much below potential. In this regard, our Internal Revenue Service is finalizing plans to undertake a state-wide electronic taxpayer enumeration survey. In parallel, we have deployed electronic taxpayer registration kits at the Internal Revenue Service headquarters in Benin City and at all our tax offices across the 18 local government areas of the state; and will subsequently establish an Electronic Data Base Management System (EDBMS) of identified taxpayers. This is geared towards maximum tax net capture, especially for the informal sector as well as better enforcement. The EDBMS will constitute a reliable, transparent and efficient system to enable the state better track, monitor and manage taxpayer activity as each taxpayer will be identifiable by a unique taxpayer number with their biometric data captured.

We also recognize the importance of institutional capacity development in tax administration. In this regard, we enacted a new revenue administration law in 2012. The law establishes the EIRS as an autonomous revenue service anchored on strict professionalism, transparency, integrity and results. Also, the EIRS is also strengthening tax administration capacity through a major organizational structure and business process re-engineering for improved service delivery and full automation of processes. It is undertaking service-wide training/capacity needs assessment to guide capacity development for EIRS staff. Also, we are leveraging ICT for better taxpayer service delivery. We have deployed Point of Sale (POS) terminals at all the collecting banks linked to the IGR accounts and are on the verge of launching a new and dedicated website that supports online tax payment as well as other taxpayer services like TIN registration

- *Eliminating Payroll Expenditure Leakages*

In order to plug payroll expenditure leakages, our government, in 2011, gathered relevant biometric data pertaining to public servants and transferred the data to an oracle-based human resource system to enable monthly payroll calculation. This reduced cases of ghost workers appearing on the payroll. Building on this achievement, our government intends to periodically conduct verification audits of the payroll to establish their continued authenticity and integrity



and avoid leakages through this route that has traditionally constituted a huge source of expenditure leakage. In early 2015, we hired a consultant to conduct an independent verification audit of our employee and pensioner database beginning with the largest ministries – Education and Health. A preliminary report of this first phase has been submitted by the consultant and we would take action as necessary.

- *Establishment of a strong PFM institutional platform*

As part of measures to establish a strong public financial management (PFM) institutional platform, we are strengthening our PFM legal and regulatory framework; our human and organizational capacity for PFM; as well as our PFM information system. We are entrenching our improved PFM policies and practices in relevant laws in order to protect them from being easily reversed. Given the importance of the public procurement process in ensuring that public expenditure delivers good value for money, Edo prioritized the enactment of a modern public procurement law in its institutional reform program. This was a prior action under the first DPO. The law defines the principles and procedures to be applied in the public procurement of goods, works and services. It also defines in the regulations, respective roles of different institutions and officers in public procurement. We have established a Public Procurement Regulatory Agency in March 2014 responsible for regulating the implementation of the public procurement law and also inaugurated a state Procurement Council responsible for policy directions. We are currently preparing an organic Public Finance law along with related Financial Regulations and Instructions that would, among other things, help redefine the roles and responsibilities of both line ministries and central management agencies, the accountability of vote holders, rules on debt and the creation of special funds, accounting, internal control and financial reporting requirements, the treasury functions of the Accountant-General, powers of the legislature and rights and obligations of functionaries and citizens in the financial matters of the state. Furthermore, we are revising the Edo Audit Act of 1982 and related regulations.

We are strengthening the human and organizational capacity for PFM through a strengthened capacity building framework across central finance institutions and key MDAs. In terms of the PFM information system, the Oracle system for budget preparation, execution, accounting and reporting is being scaled up with enhanced modules for improved financial management; and key financial management bottlenecks impacting the effectiveness and efficiency of service delivery have been expunged from the procedures without weakening internal controls. Furthermore, the state intends to establish a PFM reform coordination unit to be hosted in the Ministry of Finance, to be staffed by qualified personnel for improved PFM reform coordination. The Unit will coordinate all PFM related reform actions across the government; serve as the secretariat for the PFM Steering Committee and the Technical Committee; and monitor the State's PFM performance as custodian of the self-/independent assessment exercises on PEFA or other PFM performance assessments. The PFM reform unit will provide regular reports to the Steering Committee on progress in the implementation of the state's PFM reform action plan. as well as support the modernization of the State Auditor-General's Office and the PAC Secretariat, among other tasks. To operationalize the procurement units that were recently created in the respective MDAs, the state civil service office will institutionalize a new procurement professional cadre. It is the plan to progressively build the professional capacity of this new cadre based on a Procurement certification program.

- *Improvement in Practices in Strategic Planning and Budget Preparation*

Our government recognizes the crucial role of strategic planning and budget preparation in improving public expenditure. Thus, we are building on earlier progress made in aligning our annual budgets with our strategic policy priorities. Building on our 2009 Vision 2020 document which outlined our medium term development priorities, we have developed a State Strategic Plan (SSP) as the framework for the strategic planning process. The SSP consists of the government's priorities translated into sector objectives initiatives, which are incorporated into the annual budget preparation process. We are in the process of strengthening this framework by introducing a multi-year perspective to our budgeting through the development of costed Medium Term Sector Strategies (MTSSs) with more detailed strategies and initiatives for achieving medium term sector goals and objectives within a specified medium term frame. Currently, the state is benefitting from the expertise of a PFM consulting firm presently resident in the state and supporting the relevant officials to be able to prepare MTSSs. The first of the MTSSs will cover the timeframe of 2015-2017 and would be completed in April 2015. However, this will be too late to inform the 2015 budget of the state; but it would aid the learning process of the state officials ahead of 2016 budget preparation. The preparation of the 2015 budget of all MDAs has however drawn from the sector strategies as contained in the SSP. This is a prior action for this operation and is evidenced by templates prepared by the Ministry of Budget and Economic Planning which map the projects in the approved 2015 sectoral budgets to the key sector strategies prioritized in the SSP. The state would build on this process by preparing its 2016 budget based on more formal, costed MTSSs covering the period 2016-2018 and which would also be published on the state's open data portal. The use of MTSSs for preparation of the budgets of five key MDAs is a trigger for the subsequent operation

- *Improved budget execution and monitoring*

Our government continues to pursue improvements in practices relating to budget execution and monitoring in a bid to improve the efficiency of public expenditure and service delivery. To this end, continued enhancements to procurement, cash management and budget implementation monitoring practices and mechanisms are being implemented. The public procurement reforms being implemented by Edo are geared towards the achievement of transparency, accountability, competitiveness, and value for money in the public procurement processes of the state. As earlier mentioned, we enacted a modern public procurement law in 2012 to define the principles and procedures to be applied in the public procurement of goods, works and services. Further, we established a public procurement regulatory agency in 2014 to regulate the public procurement practices of the state in line with the law. Procurement Regulations, Manuals and Standard Bidding Documents are being developed by the regulatory agency to be deployed to the MDAs for use. Our government will continue to make public, information on contract awards above specified thresholds for transparency and social accountability purposes. Furthermore, the procurement agency would conduct annual procurement audits of a representative sample of contracts awarded and submit these reports to the state legislature. The government, in its quest to maintain a reliable cash planning system, has developed a database enterprise application tool that tracks all contracts, including multi-year contracts, from the point of award (commitments), to progress payments (progress certificates), and final payment (liquidation) as well as contract closure. This database application system of monitoring capital projects is one way in which the state government keeps a tab on capital budget implementation. This system maintains detailed

and comprehensive information on projects and contracts but currently covers only three major ministries: Works, Health and Environment. Ministry of Education would be the next to be covered. Already, the state has introduced an Electronic Funds Transfer (EFT) system for the payment of all supplier bills. This is critical to reducing payment delays as well as the potential for fraud under a progressive system towards a 'cash-less' economy. The State electronically transfers payments to suppliers' bank accounts, on a general basis, rather than issuing them paper cheques.

- *Improved practices in internal and external auditing*

Over the last few years, our government has significantly improved the timeliness of preparing the state's audited financial statements. As a prior action for the first DPO, Edo state cleared a two-year audit backlog. Currently, audits are now completed within 2 months of receipt of draft accounts from the State Accountant-General, and audit reports are subsequently laid before the State House of Assembly (SHoA) for review by the Public Accounts Committee (PAC). The audited financial statements for the year 2013 were submitted to the SHoA within nine months of the year-end – a clear case of timeliness and improved financial transparency; and the historical series of audited financial statements are also published on the state's open data portal. The state aims to further improve on the timeliness of submission and publication of the audit reports. Audit quality is improving although full compliance with INTOSAI standards will take some time. The state has now procured consultancy services to support the revision of the Edo Audit Act of 1982 and related regulations as well as to support the modernization of the State Auditor-General's Office and the PAC Secretariat, among other tasks. Once delivered, the external audit function of the State as well as the legislative oversight Secretariat (PAC) would have been strengthened to better deliver on their mandates

## **(ii) Improving the investment climate**

The economy of our state has hitherto been largely public sector-driven; as government has in the past invested directly in virtually all areas of economic activity, including state government-owned breweries, transport services and retail companies. The rationale was that the state did not have enough indigenous entrepreneurs to invest in these and other areas of the economy. But direct government ownership of such companies stifled the enterprising spirit of potential indigenous entrepreneurs. The private sector though now expanding is still relatively weak. The traditional subsistence sector and small-scale commercial and service activities in the informal sector dominate the industrial landscape. The educated unemployed do not find these two sectors attractive. Our government therefore views it as very important to improve the enabling environment to increase the contribution of the private sector, especially large corporates, to economic growth and to employment generation, either in partnership with the public sector (public-private partnerships) or in parallel. One of our main focus areas for policy and institutional reform in improving the investment climate is the area of access to land for investment purposes.

In 2011, we began taking steps to improve the process for obtaining titles to land; i.e. Certificates of Occupancy (C of O's). It usually took a long time for property owners to obtain C of O's

in Edo State. As a result, many economic agents did not have title to their property. Economic agents were therefore limited in their ability to make long term investments. It was also a disincentive for potential new investors. The Ministry of Lands & Survey thus conducted a comprehensive workflow review of the processes and time taken to obtain C of O's in 2011. Based on this, we developed and have been implementing streamlined procedures for obtaining C of O's. We published these new procedures on the state government's website. It is now possible for the Ministry of Lands & Survey to process applications for C of O's within 30 working days using these streamlined procedures; down from up to 100 days or more previously. Also in 2011, we commenced the process of developing a new Land Information System (LIS) that is based on geo-referenced digital maps in order to improve the reliability of land information and consequently, the land registration process. We sought to modernize this system through the development of a GIS-based LIS. As a prior action for the earlier DPO, we executed an agreement with a concessionaire for devising and running the Edo GIS. We also established a website for the Edo GIS and published the first set of land maps produced under the EGIS as a means of fostering transparency and improving public access to relevant information on land. This was also a prior action under the prior DPO. However, by late 2013, the concession agreement for the Edo GIS had suffered a setback and collapsed. We however have not allowed that to weaken our resolve to improve the land information system for Edo state. We therefore contracted an ICT firm in 2014 to install the GIS software to be piloted, in the urban areas first, on limited basis (Benin City only); thereafter the system will be rolled out to more local governments across the state. We have also taken the bold step to rationalize the procedures for transferring land titles in the state through the delegation of the governor's consent to the state attorney-general.

Furthermore, in order to mitigate the constraints imposed by assessed high land transaction charges in the state, our government, in 2015, is taking steps aimed at reducing land transaction charges. We will continue to leverage on the best available technology tools to ensure that interested residents in the state have quick processing times for their application for land title documents. We will also leverage on our partnership with you to build our capacity in this regard. We hope to generate a chunk of our local revenues from land related taxes and unlock the potentials in this very critical sector of the soft economy.

### **(iii) Improving the Quality of Education**

Our government seeks to strengthen the capacity of the young people in the state to be able to take on employment opportunities as they are created by a more active private sector. Improving the quality of education from the primary to the tertiary level; especially science education and including vocational and technical education is therefore one of our government's strategies to tackle unemployment in the state. Our government sees technical and vocational education and training (TVET) as critical to youth empowerment and employability. Thus, we have been working to revamp the system of public TVET in the state. Hitherto, most of the state-run TVET colleges were run down in terms of physical infrastructure and were not very well governed. Earlier on, we had established School-Based Management Committees (SBMCs) in Technical and Vocational Education Institutions, with broad representation, including from civil society, to carry out some of the responsibilities decentralized to the institution level. The established


School Based Management Committees now formulate annual TVET school improvement plans (SIPs) since 2014 for each of the TVET schools; and we allocate funding in the budgets of the Ministry of Secondary, Technical and Tertiary Education for the implementation of the school improvement plans. Further, we aim to enhance the quality of content delivered at TVET colleges by establishing collaboration mechanisms with the private sector – small-scale entrepreneurs, large-scale industrial and commercial firms, as well as relevant professional associations. These collaboration mechanisms will include transfer of expertise from industry to the colleges, apprenticeships, internships and entrepreneurship development programs for TVET students or full-time job placements for TVET graduates. Already, the state is in discussions with Dangote Group to collaborate with the state College of Agriculture to establish a Rice Institute at the College of Agriculture Technology that will teach courses on the development of new initiatives for rice production and milling.

**We are also taking the issue of teacher absenteeism very seriously in Edo state.** We have implemented numerous measures aimed at improving the commitment of teachers to their jobs. A series of unscheduled school inspections sometimes led by myself, has resulted in the dismissal of some teachers, school inspectors and local government education officers. There is however still a crucial need to ensure effectiveness of these efforts. We want to position primary and secondary school-based management committees to complement the efforts on Ministry of Education inspectors to monitor teacher attendance at schools. This will be coordinated by the State Universal Basic Education Board (SUBEB).

#### **D. Conclusion**

Let me express the appreciation of the Edo state government for the strong support given to us by the World Bank, and for the DPO program in particular. We understand that the willingness of the Bank to extend budget support to Edo state is a reflection of the Bank's confidence in the state's ability to implement its development program to deliver real benefit and outcomes for the citizens of the state. We are honored by this confidence and we pledge to continue to diligently implement the reforms outlined above in support of an enabling environment for the Government to implement its poverty reduction goals as set out in our development strategy.

Yours Faithfully

A handwritten signature in black ink, appearing to read 'A. Oshiomhole', with a long horizontal line extending to the left.

Adams Aliyu Oshiomhole, *mni*, CON  
Governor