



WORKPLAN ON THE FISCAL SUSTAINABILITY OF STATES

In early 2017, the Nigeria Governors' Forum Secretariat with the support of DFID's PERL-LEAP and in close collaboration with the World Bank, initiated a one-year workplan on the fiscal sustainability of States. The initiative was developed as a result of a number of reasons. First, the slide in revenue which led to a contraction in the fiscal space of State governments. Secondly, rising fiscal deficits of governments, with mounting domestic debts consisting of salary and pension arrears, contractors' arrears, commercial bank loans and other liabilities. Lastly, the absence of policies to manage revenue volatility and ensure fiscal independence which continued to destabilize government budgets. The plan was to be implemented in four (4) phases:

- **Phase I (January – March 2017) – administration of assessment questionnaire to States and preparation of discussion paper on the fiscal sustainability of States**

Guided by the implementation of the Fiscal Sustainability Plan (FSP), the report is intended to contribute to the government's reform process by determining the extent to which current reforms are leading to fiscal sustainability. It will also facilitate synergy between the federal and State governments around an agreed pool of interventions, including the FSP, a framework designed by the federal government to address fiscal responsibility at the sub-national level.

- **Phase II (April 2017) – organisation of a focus group discussion with 14 States¹**

The meeting was guided by preliminary results of the fiscal assessment exercise of the 36 States. The objective of the event was to review the current progress of the FSP across representative States of the six geopolitical zones. It identified successes, constraints, and priority actions, while highlighting lessons learned and complementary reforms needed to improve States' fiscal performance. State participants were the Commissioners of Finance, Commissioners for Budget and Planning and Accountants General.

- **Phase III (August – September 2017) – development of case studies of selected State.**

Based on Phase I and Phase II results, 8 States² (at least one from each geopolitical zone) were selected for case study based on their performance in implementing commendable PFM reform practices. The aim of the case study exercise is to highlight practical evidence of reforms that lead to better fiscal performance; document lessons/commendable practices to be shared at a national

¹ Borno, Cross River, Delta, Ebonyi, Ekiti, Enugu, Jigawa, Kaduna, Kano, Kwara, Lagos, Osun, Plateau and Yobe

² Bauchi, Edo, Enugu, Jigawa, Kaduna, Kano, Lagos and Plateau

conference on fiscal sustainability scheduled to hold in November 2017; and provide strong guidance for mobilizing technical assistance for States.

A 3-day Mission will be conducted in an interview setting with key State officials in the Ministries of Finance and Budget and Planning (including Commissioners, Permanent Secretaries, Accountant General, Auditor General, Directors, etc.). Other Stakeholders will include representatives of the State House of Assembly (Appropriation and Public Accounts Committees) and the Civil Society.

- **Phase IV (November 2017) – organisation of a national peer learning event on the fiscal sustainability of States.**

The event will be designed at the end of the project, to bring together lessons and share experiences. It will be structured to enhance learning based on commendable practices distilled from Phase I, II and III and will provide a platform to shape the fiscal reform process going forward. It will include the following:

- Lessons from the implementation of the FSP
- State case presentations
- Zonal reflections and States' self-assessment: challenges and action plans
- Tools and technical assistance available to States

Highlights of the workplan

- Phase I and II activities have been concluded with main findings documented.
- An executive summary of the discussion paper on the fiscal sustainability of States has been disseminated to State governors.
- Phase III is ongoing and will be concluded in September 2017
- Phase IV will take place in November and will involve the participation of all 36 States and the Minister of Finance.

Action points for the meeting with the Minister of Finance:

- Share our findings on the Fiscal Sustainability of States within the perspective of the implementation of the FSP.
- Request for the report of the audit firms mandated by the Minister to evaluate States performance on the implementation of the FSP.
- Request for her collaboration in the organisation of the November 2017 event. The event will provide an opportunity to brief the 36 States on the federal government's plan going forward.