

State governments are improving the management of public resources

The United Kingdom and Nigerian Governments have partnered to improve governance in Nigeria. Through the Department for International Development (DFID), the State Partnership for Accountability, Responsiveness and Capability is being funded as part of several programmes with the same aim – to help state governments improve the efficiency and effectiveness with which they use public resources.

This partnership was put in place in 2008, and as it passes its halfway point, results are emerging that are showing real progress is being made. These include closing dormant government bank accounts, better reconciliation of existing accounts, getting on top of debt, elimination of ghost workers and ensuring debt relief gains are used appropriately for poverty reduction. Closing dormant accounts in three states has seen £32 million of public funds returned to state treasuries, and in one state £37 million of unspent funds were returned at the end of the year through better reconciliation. This leaflet summarises a few examples of this progress, and shows the value for money that SPARC is delivering.





Why is this aim important?

Foreign aid makes up less than one per cent of Nigeria's annual budget. It is used in a strategic way by DFID – to improve the use of Nigeria's own resources – through governance programmes like SPARC. In this way the intended impact of DFID will be greater.

The examples below are selected from Nigerian states where SPARC has provided technical support. Our support has been just that – the decisions to implement changes are made by state governments themselves. These examples include closing dormant government bank accounts, better reconciliation of accounts, getting on top of debt, elimination of ghost workers and ensuring debt relief gains are used appropriately for poverty reduction initiatives.

In all the examples, significant savings have been made by state government and in some there is evidence of increased efficiency in the use of public funds.

Closing dormant bank accounts

By early 2010, the government of Jigawa State had reduced the number of bank accounts it had from 615 to 105. Unused funds from these accounts were returned to the treasury and amounted to £7.6 million (N1.9 billion). These funds were made available for the 2010 budget.

Similarly in Kano State, the government reduced the number of accounts it operated from 756 to 92. The proliferation of bank accounts (many of which the government was not aware of) was a major avenue for fraud. In 2010 approximately £18 million (N4.5 billion) was returned to the treasury in Kano.

Since 2010 the Enugu State Government has been streamlining the number of its treasury bank accounts and by June 2012 had reduced these from over 100 to 10. By early 2011, unused funds from these accounts, amounting to about £6.4 million (N1.6 billion), were returned to the treasury.

Reconciling bank accounts

At the end of 2009, Jigawa State Government instructed that all unspent funds in government accounts should be returned to the treasury. This was the first time in the history of the state that this had been done, and it yielded £37 million (N9.3 billion). This annual clearance has now become standard practice and has closed another avenue for fraud.

Making budgets more realistic

One of the most important reasons why the delivery of services to citizens in Nigeria is poor is because of unrealistic budgets. Unrealistic budgets allow additional projects to be included, which then either do not happen, or the funds are reassigned to politically attractive projects, rather than delivering the Millennium Development Goals (MDGs). SPARC provides considerable technical support helping state governments to develop realistic budgets. In some cases these budgets are sent back to the executive for revision. In Kaduna State this has happened twice, recently. In 2010 £169 million of non-existent funding was removed from the budget. The figure removed from the 2011 budget was £117 million and this made cash management and budget delivery more realistic.

At the beginning of 2012, a similar revision of the budget in Ekiti State removed £40.7 million (N10.2 billion of non-existent revenues) from the budget.

"The review was made in view of the economic challenges and the commitment of my administration not to make the budget a paper thing, but a realistic framework for the rapid development of the state in line with my promise to the people of the state." Governor Fayemi, Ekiti State.

Eliminating ghost workers

In Nigeria the problem of 'ghost' or fictitious (government) workers is widely reported in the press. Some state governments are trying to address this area. Resolving this problem was brought to prominence when the minimum wage of N18,000 per month was introduced in 2011, and resources became stretched. Following an exchange visit to Jigawa State in 2010 to discuss nominal rolls, payrolls and the links to staff

audit, work to verify workers in the civil service was undertaken in Kaduna. By the end of 2011, savings of £128,000 (N32 million) had been achieved in the Ministry of Health pilot project while a potential total saving of £5.7 million (N1.4 billion) was made for the entire state.

SPARC supported system implementation of the Human Resource Management Information System (HRMIS) for Enugu State during its design stage. Establishment of an HRMIS linked to the payroll is still ongoing, but savings are expected to increase from the £400,000 per month of four years ago, to £1.2 million (N300 million) per month in June 2012.

A due process initiative

In 2007 the government of Jigawa State introduced a commercial financial management system database. This has enabled them to raise the standard as regards due process in awarding contracts in the state. Three years later, the head of the civil service announced that a total of £16 million (N4 billion) had been saved.

Compliance with procurement procedures in Jigawa is 80% from state level Ministries, Departments and Agencies and 50% from local government councils. The Due Process and Procurement Bureau is looking to achieve 95% compliance across the board through improved awareness and skills provided through training supported by SPARC. It therefore expected that the £26 million (N6.5 billion) saved from adopting procurement procedures will improve by about 40% as a result of the training.

Getting on top of state debt

Most Nigerian state governments have debt on their books, either through domestic loans or bond issues or external loans managed through the Federal government. The government of Kaduna was no exception, but had no way of tracking the level of debt. It set up a Debt Management Department within the Ministry of Finance that started to record internal and external debt. SPARC supported the department in a debt sustainability analysis in 2010. From a peak of £48 million in 2010, the internal debt was reduced to £16 million by the start of 2012.

Debt relief gains targeted at poverty reduction

In September 2005, Nigeria renegotiated its debt with the Paris Club. Agreement was reached to cancel this debt (which amounted to approximately £650 million per year) and use the interest saved towards projects that focused on achievement of the MDGs. Annually, the MDGs Office (that was set up to coordinate this effort) spends up to £300 million on such projects, and since 2007, one of the most innovative means has been a conditional grant scheme that requires state governments to contribute 50% of project funds. To date over £500 million has been invested in the scheme with promising

results. SPARC's support to the scheme has ensured that in the four years it has been operating, there have been no reports of misappropriation, financial loss or misdirection of funds. Various independent reviews have validated the success of the scheme and SPARC's contribution to this has been publically acknowledged by the Government of Nigeria.

Much more to do

The partnership between state governments and SPARC has been in place now for four years and real results are beginning to emerge. However, both partners are realistic and recognise that this is just a start – there is much more to achieve – and this can only be done with the commitment of government leaders.



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The opinions expressed in this leaflet are those of the authors and do not necessarily represent the views of the Department for International Development.

Building for the future: assessing local training capability

The US Department for International Development (USAID) has been working to improve the training capacity of local government...



Group discussion during the training session on local government training capacity.

Bank reconciliation in jigawa

Improving the management of public resources is a major objective of the Nigerian government...



Group discussion during the training session on bank reconciliation in Jigawa State.

Realistic budgets advance Kaduna State towards MDG targets



The US Department for International Development (USAID) has been working to improve the budgeting process in Kaduna State...

Medium term budgeting and planning: more realism drives improved performance

In many states, a timely prepared medium term budget and development plan are essential for improved performance...

The situation in Kano: While offering a state the ability to make a formal budget is a critical step towards improved performance...

A Fast Track Approach to Governance Reforms

Following the adoption of a new Constitution in October 2010, the Nigerian government has been working to improve governance...

SPARC in different states: The State Revenue Authority (SRA) has been working to improve the management of state revenue...

The mainstreaming of gender and social inclusion in state policy and planning

The State Revenue Authority (SRA) has been working to improve the management of state revenue...



Group discussion during the training session on gender and social inclusion in state policy and planning.

Improving lives through the Millennium Development Goals Conditional Grant Scheme

Nigeria's Millennium Development Goals (MDG) Conditional Grant Scheme (CGS) has been working to improve the lives of the poor...

Key to the success of the CGS: The success of the CGS depends on the ability of state governments to manage the grants effectively...

Mandate mapping shows the way to better governance

The management of government is a primary task of the Nigerian government...



Group discussion during the training session on mandate mapping.

Mapping ministerial mandates

Mapping ministerial mandates is a key step in improving government performance...



Group discussion during the training session on mapping ministerial mandates.

Nigeria's State Peer Review Mechanism

Following a decision by Nigeria's National Council on State Governance, the State Peer Review Mechanism (SPRM) has been established...

History of the SPRM: The SPRM was established in 2010 to improve the performance of state governments...

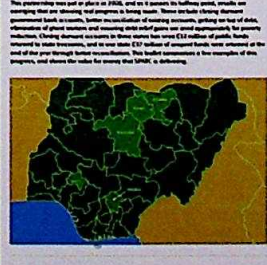
Working together to ensure governance reforms remain effective

The US Department for International Development (USAID) works with State Governments to help them ensure that governance reforms remain effective...

SPARC's role in ensuring effective reforms: SPARC provides technical assistance to state governments to ensure that governance reforms remain effective...

State governments are improving the management of public resources

The Nigerian State and Regional Governments have continued to improve their management of public resources...



Map of Nigeria showing state boundaries.