MEMORANDUM OF UNDERSTANDING

BETWEEN

THE CENTRAL BANK OF NIGERIA

NIGERIA GOVERNORS' FORUM

STATE PARTNERSHIP FOR ACCOUNTABILITY, RESPONSIVENESS AND CAPABILITY
(SPARC)

AND

WORLD BANK

FOR

THE DEVELOPMENT OF STATE PUBLIC FINANCIAL STATISTICS DATABASE

ABUJA, NIGERIA

AUGUST XX, 2013

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MEMORANDUM OF UNDERSTANDING

Between

Central Bank of Nigeria

Nigeria Governors' Forum

The World Bank

and

State Partnership for Accountability, Responsiveness and Capability

on

Nigerian State Government Financial Statistics Database

A. Context

1.   Currently, a public finance database for the 36 Nigerian states does exist. The Statistics Department at CBN has taken the initiative to develop a sub-national government financial statistics database by compiling government financial statistics for 36 states from various sources including survey questionnaires, Auditor-General's Reports, Accountant General Financial Statements, the Federal Accounts Allocation Committee's reports, and Federal Debt Management Office reports. An annual survey of relevant state agencies is deployed in order to get a more up-to-date statistics as final audit reports are usually issued with a few years lag. The cleaned survey data combined with data from the other sources, are compiled, aggregated and presented in standard formats according to the Government Financial Statistics Manual (GFSM). The aggregated statistics available from 1981 onwards is currently published in CBN publications including CBN Annual Reports and Statistical Bulletin as hard copies, CDs and on CBN website: *http://www.cbn.gov.ng* and *http://www.cenbank.org*.

2.   However, CBN faces some challenges. The response rate to the survey questionnaires remains at 90 percent. Respondents at the state government level have limited capacity, weak incentives and insufficient logistical support. The database is not yet comprehensive as

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compiling the data from audited financial statements, Auditor General's reports, and budgets as well as assets and liabilities remain work in progress. The existing government financial database is not consistent with the 2001 GFS, thus CBN staffs need to be trained on the 2001 GFS.

3. In parallel, few development partners have also taken similar initiatives to develop a database for government financial statistics. SPARC has also been compiling government financial statistics for 10 states[1] where SPARC has been engaged during the past several years. The database is used for monitoring and tracking progress in implementing pubic financial management reforms to improve budget credibility that SPARC has been supporting. Thus, the data includes budget statistics at various stages of the budget process (originally approved, revised, and executed). The sources of this data include states' budget documents, State Accountant General's Reports, and State Audit Reports. *these*

4. The World Bank has *also* envisaged the development of such a database to facilitate the benchmarking of PFM performance across states. The activities will be supported by a Trust Fund entitled Improved Public Financial Management, Transparency, Accountability, Effectiveness and Sustainability. After initial consultations with key stakeholders, the WB team decided that the resource will be used to support CBN in improving the quality of the existing database. This approach will ensure an efficient use of TF resource as it will support the CBN in improving data quality and consistency rather than inventing a new database. Further, long-term sustainability of the database will be secured as CBN has financial resources and capacity to update the database on a regular basis.

5. Nigeria Governors' Forum (NGF) fully support the initiative to develop a state government financial statistics database as the state governments as well as citizens will benefit from having access to such information. The state government's policy decisions could be informed by using the database to track implementation of the state development plan, measure the impacts of government spending, and strengthen the state public financial system to improve transparency, accountability and efficiency in public spending. The database can also be used by civil society organizations and citizens to monitor efficiency of public spending and governments' performance in provisioning of public services across states.

the proviso

6. MOU partners fully agree that a unified, comprehensive and credible sub-national government financial statistics database in Nigeria is desirable. Such a database is expected to provide intra-state government financial statistics to support policy makers (state federal governments), development partners and civil society organizations and citizens in the monitoring and analysis of fiscal policy developments and trends, the impacts of government spending on delivery of public services, as well as progress in implementing public financial

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[1] They include Anambra, Enugu, Jigawa, Kano, Katsina, Kaduna, Lagos, Niger, Yobe, and Zamfara.

management (PFM) reforms. The database will also enable inter-state comparisons of government performance thus facilitating the benchmarking of PFM performance across states. To achieve this goal, the database is expected to have comprehensive information on government revenue, expenditure and public debt based on the GFS definitions and organized according to economic, functional,[2] and administrative classifications. The priority of this database at the moment will primarily focus on government financial statistics at the state level.

B. Objective of the Memorandum of Understanding (MOU)

7.　　In this context all partners agree to work together to further improving the quality of its existing sub-national government financial statistics database to make it compliant with the GFSM. They reiterate the need to have a memorandum of understanding (MOU) to demonstrate their commitment to the initiative as well as reinforce collaboration among partners.

8.　　This Memorandum of Understanding (MOU) constitutes a formal agreement between Central Bank of Nigeria (CBN), Nigeria Governors' Forum (NGF), and World Bank (WB) in the joint development of a unified, comprehensive and credible state government financial statistics database. The MOU defines the roles and responsibilities of MOU partners in carrying out this exercise and the mode of implementation.

C. Partners' Roles and Responsibilities

9.　　To achieve the goals, partners agree to state their firm commitment to the development and creation of a State Government Financial Statistics Database. This effort will be built upon the CBN ongoing initiative to compile sub-national government financial statistics by strengthening capacity of CBN to improve the quality, reliability and comprehensiveness of the existing database and ensuring compliance with international standards outlined in the GFSM.

10.　　To strengthen collaboration and ensure successful development of the database, partners agree on the following roles and responsibilities.

(a) Central Bank of Nigeria

11.　　Central Bank of Nigeria is strongly committed to the development of such a database. It has deployed its financial resource and human capacity to compile the data that informs policy makers and researchers at CBN on public finance development at the state level. It has accumulated some experience in compiling government financial statistics and it intends to

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[2] This will be based on the UN's Classification of Functions of Government (COFOG) system.

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further expand and improve the existing database. In this respect, the roles and responsibility of CBN will be the producer of the database. Its roles and responsibilities are as follows.

- Continue providing adequate financial and human resource for data compilation, cleaning and processing of state government financial statistics from various sources and regular surveys with an aim to regularly update the database;
- Commit to the dissemination of the database to public domain. CBN will place an aggregate state financial statistics database in public domain due to the data confidentiality outlined in the survey questionnaires. Detailed database will be available upon requests. The level of aggregation will be based on the UN Classification of Functions of Government (COFOG) and the 2001 Government Financial Statistics Manual (GFSM);
- Share with NGF the data base by permitting its publication on the NGF website in parallel;
- Collaborate closely with the NGF, and WB in improving the state government financial statistics database through a technical working group; and
- Enable CBN staffs responsible for compilation of the state government financial statistics to be trained by international experts on the 2001 GFS financed by the TF managed by the World Bank

Comment [OOB1]: To be modified by NGF.

(b) Nigeria Governors' Forum

12. The NGF representing the 36 states of Nigeria is fully committed to this exercise as it will complement ongoing activities related to the State Peer Review Mechanism (SPRM) conducted by the NGF Secretariat as well as its central role in facilitating state PFM agenda. The database will enable the comparison and benchmarking of states' performance and thus facilitates the ongoing performance reviews of state governments. The NGF can contribute to the development of the government financial statistics database by undertaking role and responsibilities as follows:

- Collaborate closely with CBN, and WB in the development of the database through a technical working group;
- Exercise its convening power with state governments to assist CBN in compiling budget documents, financial statements and audit reports from 36 states to complement CBN effort to develop the database.

(c) <u>World Bank</u>

13.　　The World Bank is committed to providing technical assistance to strengthen capacity of the CBN in improving the state government financial statistics database to ensure it is comprehensive and complies with the 2001 GFS. In this context the role and responsibilities of the WB include:

- Collaborate closely with CBN, and NGF in the development of the database through a technical working group;
- Provide technical assistance to support CBN in improving the database including: (a) technical assistance in the 2001 GFS; (b) training of trainers at CBN; and (c) database design and development.

D. Mode of Collaboration

14.　　Implementation of the MOU by participating partners will be carried out through the establishment of a technical working group. The technical working group comprises a chair person (with limited duration and alternated among partners). Each partner will nominate 2 representatives (permanent and alternate) to participate in the working group. The technical working group will meet on a regular basis to monitor progress and discuss emerging issues from the tasks. The group shall agree on the frequency of meetings, procedures, and duration of the technical WG meetings.

E. Final Provision

15.　　All parties signing this MOU agree with the objectives articulated in the MOU. They will adhere to the role and responsibilities towards the successful implementation of the Nigerian State Government Financial Statistics Database.

Central Bank of Nigeria

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(Sanusi Lamido Sanusi)

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Central Bank Governor

Nigeria Governors' Forum

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(Asishana Okauru)

Director General of the NGF Secretariat

World Bank Nigeria Country Office

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(Marie-Francoise Marie-Nelly)
Country Director