Public Disclosure Authorized

Report Number: ICRR0022828

1. Project Data

Project ID	Project Name
P133045	NG-State & Local Governance Reform
Country	**Practice Area(Lead)**
Nigeria	Governance

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
TF-18335	31-Mar-2017	54,068,903.04
Bank Approval Date	**Closing Date (Actual)**	
17-Oct-2014	31-Mar-2021	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	70,461,156.03	70,461,156.03
Revised Commitment	56,558,076.76	61,960,563.79
Actual	54,068,903.04	54,068,903.04

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

According to the Grant Agreement (p. 5) and Project Appraisal Document (PAD, p. 10), the Project Development Objective (PDO) was “to improve transparency, accountability, and quality in public financial management in the participating states.”

b. Were the project objectives/key associated outcome targets revised during implementation?

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No

c. Will a split evaluation be undertaken?

No

d. Components

The project contained three components.

Component A: Public Financial Management (PFM) Reforms (Original cost $43.00 million; Actual cost $56.55 million). This component was to develop and modernize the PFM systems of the six participating states. Its activities included:

1. Review of existing financial management legislation and regulations, drafting of new legislation and regulations where necessary, and organization of sensitization seminars on public finance reforms.
2. Review and strengthening of systems of control and functionality in PFM with support to the State Integrated Financial Management Information System (SIFMIS) in states that were assessed to be capable of implementing SIFMIS.
3. Strengthening budget execution processes and institutions in the public service, particularly as they interfaced with the SIFMIS.
4. Review and modernization of accounting and financial reporting.
5. Strengthening the state external audit function, including capacity building for members of the public accounts committees of the states' legislatures.
6. Strengthening of state tax and internally generated revenue (IGR) administration in participating states.
7. Support for the development of social accountability mechanisms in key areas such as planning, budgeting, and public procurement, which would involve the public in the oversight of the use of public resources.
8. Review and strengthening of public procurement processes, practices, and institutions, and engagement with civil society.
9. Capacity building in PFM, including a thorough assessment of the existing skills and training needs of ministries, departments, and agencies (MDAs) responsible for state PFM functions.

Component B: Support to Local Governance (Original cost $5.50 million; Actual cost $2.68 million). Activities under this component were to include:

1. Support for each state to carry out studies on the devolution of authority to Local Governments (LGs) or groups of LGs, and dissemination and validation of the outcomes of these studies in workshops organized across each state.
2. Provision of technical assistance to each state government to develop and implement a road map for the devolution of authority by the state government to selected agencies responsible for local governance.
3. Strengthening in each state of the selected LGs, the Office of the Auditor General for Local Governments, and the Ministry of Local Governments in the areas of accounting, auditing, budgeting, procurement, tax administration, and monitoring and evaluation (M&E).

Component C: Project Coordination (Original cost $14.50 million; Actual cost $9.06 million). This component was to provide technical and logistical support required for the coordination of the project at both the federal and state levels.

1. At the federal level, a National Project Coordination Unit (NPCU) was to be located within the National Planning Commission (NPC) with responsibility for overall coordination.
2. At the state level, a State Project Coordination Unit (SPCU) was to be established, responsible for day-to-day project management, monitoring, and implementation.

Performance Challenge Fund and Contingency **(Original cost $10.50 million; Actual cost $5.21million). An** amount equivalent to 14.3 % of the total project cost was unallocated at the beginning of the project. According to the PAD (p. 13), the unallocated funds were set aside for Contingencies (7.2 %) and a Performance Challenge Fund (7.1%) to provide additional support to states that performed well in project implementation results/outcomes and disbursement performance at the time of the mid-term review.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project cost: The original project cost was Euro 54,990,000 (PAD, p. 13 and Grant Agreement p. 2). At project closing in October 2021, the amount disbursed was Euro 47.8 million. The remaining amount of Euro 7.2 million was cancelled (Closure of Grant Account statement, October 25, 2021).

Financing: This investment project was 100% funded by a Single Donor Trust Fund from the European Union (EU) and managed by the Bank, in the form of a grant of EURO 54,990,000.

Borrower Contribution: None was planned or made.

Dates: The project was approved on October 17, 2014 and became effective on January 21, 2015. The original closing date was March 31, 2017. The project underwent three restructurings.

The first restructuring was in March 2017 and included an extension of the Grant closing date and end target dates in the Results Framework. The project was originally conceived in December 2012 and was to be implemented over a five-year period, but due to delays first in the signing of the Administration Agreement between the Bank and the EU, followed by disagreements within the Nigerian government over which of its agencies would be the Grant recipient, the project's preparation was delayed for about 22 months. Following an agreement between the EU and the Bank, the project closing date was extended by 30 months to September 30, 2019.

The second restructuring took place in August 2019 and included an extension of twelve additional months to the Grant closing and end target dates, from September 30, 2019, to September 30, 2020. The restructuring also included a reallocation of funds between the project's components, as there were savings on costs needed to achieve targets for component 2, and a corresponding need related to component 1 due to emerging national priorities.[1]

The third restructuring took place in August 2020 and included a further extension to the Grant closing date due to delays caused by COVID-19-related lockdowns. The project's closing date was extended by six additional months from September 30, 2020 to March 31, 2021.

During the project restructurings, the PDO and project components remained unchanged.

[1] For example, a fiscal crisis across the states at that time required most states to receive bailouts from the federal government and necessitated increased support to tax administrations across the states for improved internal revenue generation. Similarly, the practice of competitive bids across the states required additional funds to cover the cost of implementing integrated financial management information systems across the states.

3. Relevance of Objectives

Rationale

The PDO was fully aligned to the Bank's country strategy at appraisal and closure. The Nigeria Country Partnership Strategy (CPS) 2014-2017[1] emphasized: (a) strengthening institutions for PFM; (b) enhancing transparency and accountability; (c) greater participation through the involvement of civil society (budget monitoring); and (d) capacity development for PFM. The PDO would also contribute to the Bank's twin goals of reducing extreme poverty and boosting shared prosperity, as the state and local tiers of government are responsible for key areas of service delivery most closely associated with poverty reduction in their respective jurisdictions. The PDO was consistent with the development objectives of the federal government as recorded in Vision 2020 and the medium-term strategy for its delivery (Transformation Agenda 2011-2015). The latter emphasized structural reforms, governance, systems, and institutions at the federal and the state levels to improve management and transparency in the use of public funds and to mobilize non-oil revenues.

The PDO remains at the core of the new Country Partnership Framework (CPF) FY21-FY25, which notes that strengthening governance and institutions is at the foundation of Nigeria's public sector (p. 15). During the CPF period, the Bank is to provide support for macroeconomic sustainability; marshaling fiscal resources; and building the transparency, accountability, and effectiveness of public institutions to deliver quality public services at the federal and state levels.

The objectives were also highly relevant to country context. PFM systems were generally weak in Nigeria, but especially so at the sub-national levels of government. Some of the procurement, fiscal responsibility, and budgetary reforms legislated at the federal level did not automatically apply to sub-national governments; in some areas, states had to institute their own reforms, and most states were lagging in this process. A 2011 Public Expenditure Financial Accountability (PEFA) assessment for 2008-2010 showed many challenges across the six PFM dimensions[2] in all six participating states. No state scored higher than a C on any dimension, and there were as many D scores as C scores (PAD, p. 6).

There was a strategic rationale for the Bank to engage in PFM reforms at the state and local government levels. As the Bank was already engaged in similar projects in fifteen other Nigerian states, it made sense to extend the PFM agenda to the six participating states in this project. The federal government also requested the Bank to support state capacity for PFM reform. Considering the six participating states as "focal states," the EU committed financing from the European Development Fund 10 (Trust Fund) program for their PFM reforms. The availability of the EU's Trust Fund was an opportunity for the Bank to scale up its PFM reform agenda. Following the completion of Public Expenditure Review/Financial Accountability Review (PEMFAR) analytical work in the six states, their state governments confirmed their commitment to

the PFM reforms by agreeing to the recommended action plans. The Bank's engagement would bring in wide-ranging international experience to support the participating states in their reform efforts.

[1] The WBG country program between July 2013 and June 2019 was guided by the FY14-FY17 CPS which was approved in March 2014. With disruptions due to elections and a transition in government in 2019, the life of the CPS was extended to 2019. The new CPS was initially scheduled for FY20 but extended to FY21 because of the COVID-19 pandemic. It was approved by the Board in December 2020.

[2] Credibility of the budget process; comprehensiveness and transparency of budget process; policy-based budgeting; predictability and control in budget execution; accounting, recording, and reporting; and external scrutiny and audit.

Rating

High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

Improve transparency, accountability, and quality in public financial management in the participating states.

Rationale

The theory of change is applied to assessment of four measurable outcomes that directly contributed to improvements in transparency and quality, and indirectly to improved accountability, in the six participating states (Anambra, Cross River, Jigawa, Kano, Osun, and Yobe).

The four main measurable outcomes were:
1) State government audited accounts submitted within six months from the end of the financial year to their respective legislatures.
2) State governments implement three key modules of the SIFMIS.
3) Substantial growth in actual collection of IGR.
4) Procurement reform enacted in the states.

Theory of change

The project would support the long overdue preparation and enactment of Audit Laws in states where none existed and support revisions and updating in states with outdated audit laws. Combined with capacity building and information technology (IT)-based modernization of accounting and reporting, these outputs would facilitate the regular and timely production of annual audits to enhance the state legislatures' oversight function, and allow civil society organizations (CSOs) and citizens to better hold state and local governments

accountable. While directly improving the transparency and quality of PFM, the timely availability of audits for the state legislatures and the public has the potential to increase the accountability of the PFM system.

The project would directly support transparency and quality improvements in the public procurement process by facilitating modern procurement legislation where none existed or updating it in states where it was outdated. The appropriate training of officials, updated documentation and IT tools, and passage of new public procurement laws would contribute to greater competition in the public procurement process, potentially resulting in a larger share of public contracts being competitively awarded. The increased use of competitive procedures and the publication of public contracts awarded would boost the transparency of public procurement. By empowering the public to monitor the awarding of contracts, this process would also increase accountability in public procurement.

Considering the wide range and number of PFM problems in the states, the project sought to support fiscal legislation necessary to implement modern PFM practices as well as build capacity for modern budget preparation, execution, and reporting systems to improve the quality of PFM. The adoption of three modules of the SIFMIS system (General Ledger, Budgeting and HRMIS) was a critical outcome that would align the state's budgeting system with other tiers of government, and bring greater preparation, execution, management, and reporting discipline into the system, including coverage of personnel records and payroll administration. Increased oversight of expenditure management and control would lead to the improved execution of state expenditures.

The project would support the states to update their revenue laws, modernize tax collection and reporting, and expand their local tax payer bases, thereby increasing the share of IGR in total budgetary revenues. These processes would foster predictability in budget preparation and execution, improving the quality of PFM. The automation and expansion of taxpayer databases would also accelerate detection of nonpayment of taxes, improving accountability.

To link public expenditures to the state's priorities, and build predictability and stability in expenditure planning, execution, and reporting, the project would support the development of the Medium-Term Sector Strategy (MTSS) and Multi-Year Budget Framework (MYBF) in all six states. Similarly, the introduction of modern expenditure classification systems such as the Government Financial Statistics (GFS)/Classification of the Functions of Government (COFOG) would help the states to align their budget and expenditure reporting systems with the national system, directly improving the quality of PFM.

Including LGs in the project was important, as the Nigerian Constitution (1999) assigns them responsibility for service delivery. However, given the number of LGs in each state (from 8 in Yobe to 40 in Kano) and they lacked uniformity in tenure and operational structures, it was only feasible for the project to include LGs on a pilot basis. This project would initiate the process of strengthening PFM collaboration between the states and LGs by supporting LG reforms for the transfer of the service delivery function from the states to the LGs. This would directly improve the quality of PFM, and indirectly through publicly accessible audits, also enhance transparency and accountability.

Outputs

Depending upon the need, capacity and nature of the reform, each state decided the extent of its participation in the project.

Project support (consultants, IT support, and staff training) led to the preparation and enactment of long overdue Audit Laws in Jigawa, Kano, Osun and Yobe states. In Cross River State where a modern Audit Law previously existed, the project supported the development of an Audit Operations Manual.

With project support, procurement laws were updated in Anambra and Cross River, enacted in Jigawa, Osun and Yobe, and passed though legislative processes during project implementation, but formally enacted (received Governor's assent) in Kano shortly after project closing. Through the development and adoption of modern tools including manuals, regulations, and standard bidding documents, and training on how to use them, the project supported all the participating states to increase transparency and value for money in public expenditures. The project also supported strengthening of regulatory agencies and professionalization of procurement cadres in Anambra, Cross River, Jigawa, Osun, and Yobe.

Project support facilitated the drafting of modern legal frameworks for the enactment of Organic Public Finance Laws in all six states. The passage and operationalization of these laws institutionalized the operating procedures and processes for budgeting, accounting, controls, reporting, and external scrutiny for failure to adhere to established procedures for PFM functions. The laws also reduced the chances of a reversal of the reforms.

The operationalization of the SIFMIS system in five of the six states (Anambra opted out) played a key role in enabling the preparation and execution of budgets (using National Chart of Accounts, NCoA), and accounting, timely reporting, and proper management of personnel records and payroll administration.

Project support also enabled organizational restructuring, enactment of a new revenue law, and initiatives like taxpayer registration surveys that expanded the taxpayer bases in the beneficiary states. Over 2000 officers of the tax authorities were trained. The establishment of modern electronic taxpayer database management systems in five of the six states improved the integrity of taxpayer records and management. Project support facilitated the development and adoption of MTSS in key sectors and MYBF in all 6 states, replacing incremental approaches, enabling budget provisions to be based on state priorities, and improving the quality of budgeting.

The project supported the development and adoption of road maps for collaboration between the state and local tiers of government for the delivery of basic services in five states. In Kano, the road map was awaiting adoption by the state's Executive Council at the time of project closing. On a pilot basis, the project also supported the adoption of the NCoA in Cross River, Jigawa, Osun, and Yobe states, and strengthened the capacity of the LGs to improve their budgeting, accounting, financial reporting, and M&E.

Outcomes

From a baseline of a 12 month delay between closing of the financial year and submission of Audited Financial Statements (AFSs), the project contributed to the submission of AFSs in an average of 4.67 months for all six participating states, surpassing the target of four out of six states submitting AFSs within six months. All six states submitted 2019 AFSs to their states' assemblies before June 2020. The production of AFSs directly improved the transparency and quality of PFM in all six states. Furthermore, by publishing budgets (in simplified citizen formats) and the AFS in a timely manner, the project empowered state legislatures and the public to provide greater oversight of public expenditures, thus providing the potential for improving

accountability. While concrete evidence is unavailable, the ICR (p. 14) notes that “the AFS was presented and discussed at sessions with the public and stakeholders, including civil society organizations on an annual basis.” (ICR, p. 14, para 30)

The percentage of the number of public contracts above threshold awarded through open competition increased from a baseline of 20% to 88% across four of the six states (Jigawa: 97%; Osun: 85%; Yobe: 85%; Cross River: 85%), exceeding the target of four of the six states publishing 80% of awarded contracts.

The number of participating states implementing at least three key modules of the SIFMIS (the technical consultants of the SIFMIS system recommended the General Ledger, Budgeting and HRMIS) increased from a baseline of one state to four states, achieving the target. Cross River, Jigawa, Kano, and Yobe produced financial reports using SIFMIS in 2020 and 2021.

All six states increased actual collection of IGR (based on 2019 audited full year performance). The average increase of the best-performing four states was 197%, surpassing the target of four of the six states improving by more than 40%. The increases in IGR collection over individual state baselines were: Anambra:191%; Cross River: 88%; Kano: 76.52%; Jigawa: 327%; Osun: 74%; and Yobe: 181%. The enacted reforms enabled the states to recover and benefit from higher IGR collections after the COVID-19-related 2020 decline in IGR receipts.

All six states adopted the GFS and COFOG-compliant NCoA for budget preparation, thus enabling easier aggregation of national budgets and better intergovernmental collaboration, contributing to improved quality of PFM. Use of the NCoA for financial reporting also enhanced accountability in budget execution.

Rating
Substantial

OVERALL EFFICACY
Rationale
The project’s efficacy was Substantial. Outcomes contributing to the compound PDO were achieved. Improved transparency and quality were directly achieved through the enactment of critical PFM legislation for the timely audit of state expenditures and public procurement reform. As these processes also potentially empowered state legislatures and citizens to hold state governments accountable, they paved the way to greater accountability in PFM. Quality and accountability of PFM were potentially enhanced through a series of public expenditure and tax administration reforms resulting in significant revenue growth across the states. Institutional reforms to introduce medium-term budgeting and expenditure systems, and initiation of state-local government collaboration, also contributed to achievement of the PDO in all 6 states. Collectively, by improving the transparency and quality of PFM, the project's measurable outcomes also enhanced accountability.

Overall Efficacy Rating

Substantial

5. Efficiency

The project's benefits are mostly intangible and cannot be quantified and compared with the project's costs in the conventional sense, because the core of the project focused on long overdue institutional reforms and capacity building/training of state and local government officials that cannot be priced. The audit, procurement, and other institutional reforms of PFM systems in the participating states are expected to produce significant and long-lasting monetary/fiscal benefits by stemming financial corruption and generating fiscal savings. They could enable the financing of more and better social services that directly reduce poverty. The economic benefits could be substantial and accrue in the medium to longer term but cannot be attributed to any particular outcome of the project.

Nevertheless, the efficiency of some aspects of the project can be gauged (though imperfectly) through the following:

1. Implementation efficiency: Delivering training and capacity building activities locally led to significant savings in travel and boarding costs and enabled more persons to benefit from the training. The skills generated for PFM are public goods that will have spillover effects and efficiency gains in the medium term as they contribute to better PFM and social service delivery.
2. Input costs: The single largest cost incurred on any activity under the project was the implementation of SIFMIS across the states. The cost for deploying SIFMIS in each of the five states that implemented the activity was about $3.8 million. This amount is much lower than the sum of $6.6 million estimated by IEG as the average cost for the implementation of 87 IFMIS systems across 51 countries (48 of which are IDA countries).[1]
3. Project management costs, including capacity building under the first component[2], were reasonable given the context. At project closure, project management costs were under 12% of total project costs compared to a projection of 19% at inception. At 12%, the project's management costs were within generally accepted levels to be considered efficient, especially in Nigeria's partially fragile and conflict country context.
4. The cost/return ratio was favorable. The total project financing was EURO 54.9 million, of which EURO 47.8 million was disbursed. During the implementation period (2014 – 2020), about US$5.65 million was expended on the tax administration reform sub-component. During the same period, the total [3] additional revenue collection across the six states was about US$601 million. While the project's investments in tax administration reforms may not have been the only intervention or factor that led to this progress, they did make an important contribution.
5. The project's investments in tax administration reform were generally well targeted. Additional revenue yield surpassed the total project investment in tax systems and overall project investments by over 10,000% and 1000% respectively.
6. The project benefited from a consistent and largely field-based team throughout implementation. This facilitated continuity in implementation support, consistency in institutional memory, and quick decision making during the long project cycle. While the project did not perform well on timeliness, the three restructurings did not escalate the total cost. Most of the extensions compensated for the time lost between project initiation in 2012 and approval in 2014. The first two restructurings aimed to

accommodate the five-year term that was deemed essential originally to implement the project. The last restructuring was necessitated by COVID-19.

Overall, project efficiency was Substantial. The intangible benefits of the institutional PFM reforms and skills and PFM capacity building in the states will be invaluable for an efficient PFM system that delivers more and better public services in the medium to longer term. While proof of better service delivery is not available for five states, one concrete example in the ICR (p. 19) suggests that at least one state invested in new social services: "Improved IGR receipts enabled the Kano State government over the same period (2014-2021) to successfully upgrade to world class status several health care facilities, including the Giginyu Specialist Hospital and Pediatrics Hospital, Zoo Road, as well as investing in the rehabilitation of several schools and teacher professional enhancement programs." Moreover, the costs of delivering critical infrastructure like the SIFMIS were below average, the cost of project management was below budget, and the increase in IGR in the states was significant.

[1] World Bank. 2021. World Bank Support for Public Financial and Debt Management in IDA-Eligible Countries. Independent Evaluation Group. Washington, DC: World Bank, Chapter 5.

[2] As a cost saving measure, the Project Implementation Unit (PIU) adopted direct sourcing and provision of training and workshop venues and logistics, rather than out-sourcing to consultants.

[3] US$601 million is the total of the variance from year to year across the six states between calendar years 2014 and 2020.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐ Not Applicable
ICR Estimate		0	0 ☐ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The overall relevance of the project's PDO is High, and its efficacy and efficiency are Substantial. The outcome rating is Satisfactory. There were minor shortcomings in the achievement of outcomes due to the large number of participating states. As the states were at different levels of development, those with better capacity and experience with Bank or donor projects made more progress and achieved or exceeded the target/goals, while those with weaker capacity did not do as well. Some of the states were engaged in similar projects earlier and

had relatively better PFM systems when the project started. The relevance of the project's objective continues to be high for the government, as evidenced from the series of related follow-on projects in the other states.

a. Outcome Rating

Satisfactory

7. Risk to Development Outcome

Institutional: Before the project, PFM reforms in several states had been reversed due to the absence of a legal framework or valid legislation. By focusing on the preparation, development, and enactment of various pieces of PFM legislation, the project fostered the institutionalization of the reforms into laws governing the PFM systems of the six states. However, to sustain these reforms, the state governments will need to ensure adequate annual budgets for their implementation.

Technical: High staff attrition or turnover might erode the sustainability of the PFM reforms supported by the project. Through training, study tours, train-the-trainer approaches, and other peer learning initiatives, the project trained and invested in large-scale capacity building of technical staff in various state and LG MDAs to ensure an adequate supply of skills to implement the PFM reforms. Nevertheless, high attrition remains a concern.

Financial constraints to fund essential reforms could stymie or lead to the abandonment of the overall PFM reforms. The project has made provisions to avoid the roll-back of some of these reforms including, for example, opting for the perpetual licensing model for the SIFMIS which reduces financial pressure on the states for annual payment for license renewal after project closure. However, the states will need to invest in further training and skills updating in the future, as the IT sector is very dynamic.

The social risks to the project's outcomes are low and likely to remain so. However, degradation of the security situation could cause destruction of government's assets, inhibiting the continuation of the PFM reform process.

Governmental/stakeholders' ownership and commitment: Although the project was implemented using regular government systems and personnel, and complemented with stakeholder sensitization conducted on new reforms, there is a risk that new officials may not be interested in sustaining the reform efforts.

8. Assessment of Bank Performance

a. Quality-at-Entry

At the time of project inception, Nigeria's PFM system was weak but the PFM systems in the states and LGs were even weaker. The project's design was informed by two critical analytic inputs: the 2011 PEFA and 2011 PEMFARs that were conducted in each of the six participating states. Their recommendations were later adapted to the realities of the individual states' PFM systems. The project's design benefited from lessons learned from: (i) the EU's Support to the Reforming Institutions Programme (EU-SRIP), (ii)

similar Bank interventions in Nigeria including the State Governance and Capacity Building Project (SGCBP/P074447), Economic Reform and Governance Project (ERGP/P088150), Public Sector Governance Reform and Development Project (PSGRDP/P097026), and State Employment and Expenditure for Results Project (SEEFOR/P121455); and (iii) IEG's Nigeria country portfolio review. Some of the salient lessons incorporated in the project's design are as follows:

- Government ownership requires working in close collaboration with key stakeholders from the government and non-government sides in the participating states, and vetting the project's diagnostic, identification, and design studies to ensure that the selected components, activities, and outcomes reflect key priorities relevant to the development agenda of the participating states (EU-SRIP).
- PIUs that are well integrated within government are more effective in building ownership and capacity within a state's PFM system compared to independent Program Management Units (PMUs) that operate in parallel to state structures and are perceived as an imposition (EU-SRIP and SGCBP).
- As governance support at the state and LG levels is constrained by weak capacity, a Bank-implemented Trust Fund is appropriate for donor support at the sub-national level in Nigeria (EU-SRIP and SGCBP).
- As the pace of PFM reforms varies widely among the states and depends on the political commitment of the highest authority in each state, a flexible, responsive, participatory, and championed approach to governance projects is appropriate (EU-SRIP).
- Strengthening demand-side governance is critical. Involving the State House of Assembly in the implementation of key components (budget reform and external audits) is essential (SGCBP). Supporting CSOs strengthens accountability (EU-SRIP). The SRIP project-supported network of CSOs in each state constructively engaged state governments in budget preparation and monitoring, rendering the budget process participatory, transparent, and accountable (SGCBP, EU-SRIP).
- For sustainable PFM-specific skills development, a well thought-through training policy is needed. It should include training of trainers in priority areas, offer training locally (more cost effective), and support the rehabilitation of training institutions and development of curricula in key PFM areas in the participating states' training institutions for sustainability (ERGP, SGCBP).
- To ensure ownership, leadership, and coordination for the implementation of a modern PFM system like SIFMIS, a project should have a clear champion and focal officers in Activity Executing Agencies to be responsible for the coordination and execution of activities (SGCBP).
- As LG is a missing link between state-level projects and community-driven development (CDD) projects, involvement of LGs is important. If including all[1] the LGs in the project is infeasible, on a pilot basis the project should support capacity building in planning, budget tracking, and expenditure reporting (IEG review).

The project's design included the pragmatic mitigation of identified risks for smooth implementation. Three examples are noteworthy.

- First, the risk of delays caused by political instability, elections, and new policy makers and political office holders was high. The establishment of project technical committees in the states comprised of technical heads of the implementing agencies, as well as embedding the project within existing structures in government, ensured that significant implementation decisions were taken by public servants who were unaffected by the politicking in the states. The task team also

reached an agreement with the EU, participating states, and the National Planning Commission (both Grant Recipient and National Authorizing Office of all the donor funding to Nigeria) to reallocate funds indicatively earmarked for any state if project implementation was disrupted in the state due to political turmoil.

- Second, the security risk due to the fragile status of three of the six participating states was high and posed challenges for project implementation, especially travel by the task team to the affected states. To help mitigate this risk, the Bank team explored using credible third-party monitors for project supervision. During negotiations, an agreement was reached with all key actors that if the security situation deteriorated in a state, the Bank, in consultation with the government, would make the necessary project adjustments, including reallocation of funds.
- Third, to prevent election-related delays in project implementation, the project team ensured that the following institutional and implementation arrangements were in place by project appraisal: the constitution of the PIUs, Technical Committees, and the preparation of the Project Implementation Manual. This preparation enabled implementation to commence while the post-election transitions were ongoing in the states.

An experienced and committed field-based task team was constituted from the beginning to provide technical support to the multiple implementing agencies.

[1] There are 774 local governments in Nigeria; the number of LGs in the participating states ranges from 8 in Yobe to 40 in Kano state. There is also a lack of uniformity in the tenure and operational structures of LGs across Nigerian states.

Quality-at-Entry Rating

Satisfactory

b. Quality of supervision

The task team included specialists in a wide range of PFM fields with international experience in supporting PFM reform projects. To increase the project's development impact, the Bank's technical and fiduciary teams provided regular support, including a revision of the costs/budget for the reform activities across the project's components. In the early years when there was a risk that election-related delays might reduce the motivation of new project teams, the task team ensured their continued engagement and interest by facilitating their participation in the mission workshops of the ongoing PSGRD and SEEFOR projects.

During 2014–2020, there were eleven implementation support missions to monitor progress and provide support. In addition, there were several technical missions to the beneficiary states to address specific issues. The task team was proactive in project supervision, and reports to management and feedback to counterparts were candid. The task team regularly highlighted issues for Bank management's attention.The continuity in team composition, especially the same task team leader from preparation to closure, and the availability of most team members in-country enabled timely hands-on implementation support. During the mid-term review in December 2017, restructuring was recommended to ensure that the project achieved its objective. Due to COVID-19, the final support mission was virtual.

Quality of Supervision Rating
Satisfactory

Overall Bank Performance Rating
Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design
The project's design provided a clear pathway from the initial inputs (consultants, IT, and training) to the planned interventions/outputs and their attendant outcomes. The M&E design of the project could have been clearer in either defining at least one distinct and independent outcome indicator for assessing the accountability element of the PDO or excluding that element. As also noted in Section 8a, while transparency can be assessed with the audit and procurement outcome indicators (which also enhance quality and accountability), and quality was gauged effectively with the SIFMIS and IGR outcome indicators, there was no corresponding indicator for accountability.

On balance, M&E design had several strengths that outweigh the challenge of assessing accountability alone:

- The four formal outcome indicators had measurable baselines and targets and were useful for assessing the achievement of outcomes as well as the compound PDO reasonably well. They were also suitable for assessing the achievement of the transparency and quality elements of the PDO.
- M&E was designed with flexibility to accommodate the heterogeneity of the six participating states, which were at different stages of development with their PFM systems and had staff capacity of varying quality. Three of the six were fragile states. Progress was to be measured from the baseline of each state.
- A monetary reward from the Performance Challenge Fund for the states that made good progress on performance at the mid-term review served as an incentive for the states to focus on results in project implementation. Allowing the states to allocate the proceeds of the Challenge Fund to project components 1 and 2, based on the needs of each component, allowed for additional flexibility in the project design.

b. M&E Implementation
The project had two levels of M&E arrangements: at the national level for the overall project, and at the individual state levels. The NPCU was responsible for overall project coordination, consolidating the quarterly M&E reports generated by the states, and developing a template for reporting M&E activities quarterly in a consolidated report to the Bank. The M&E Officer in each state's PCU (SPCU) was responsible for all M&E activities, including data gathering and reporting. The SPCUs prepared the annual and quarterly implementation reports and submitted them to the NPCU for validation and onward submission to the Bank. The SPCUs also submitted progress reports each semester to the State

Steering Committee for review, policy advice, and mainstreaming of outcomes into the states' agendas. The project's mid-term review was carried out jointly in December 2017.

The SPCUs also gathered data on all outcome and project component-related indicators. Its staff received continuous guidance on data collection and reporting on outcome indicators. The Bank's financial and procurement teams conducted periodic reviews to gauge project performance against expected outcomes and used continuous internal audits and annual external audits to monitor progress.

c. M&E Utilization

All the participating states used the M&E framework to assess progress towards the achievement of the PDO and to detect implementation challenges. The SPCUs maintained websites on which they posted periodic project implementation reports to inform stakeholders. Similarly, the project supported the development of communication strategies to help build ownership at strategic levels of the state bureaucracies.

Based on the detailed reports and data collected from the mission reports, including the mid-term review, the Bank and the government restructured the project three times. Over the course of the project's implementation, as the capacity of the states improved in data collection and analysis in line with the Results Framework, the application of the M&E framework also improved.

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

Overall, the task team assessed the project's environmental and social risks as low. The project triggered the World Bank OP 4.01 - Environmental Assessment safeguard policy and was assigned category B, as the potential environmental and social impacts of proposed minor civil work activities were likely to be small in scope, site specific, and easy to remediate. During the project, when minor renovation on an existing office in one participating state (Kano) was implemented, the required Environmental and Social Management Plan was implemented by the client. The project had also established a Grievance Redress Mechanism that is linked to all participating state auditor's offices and the Bank's Grievance Redress System. During project implementation, complaints related to non-payment/reimbursement of expenses incurred during field visits were recorded and resolved (ICR, p. 25).

b. Fiduciary Compliance

Financial Management (FM): Adequate FM arrangements were established and maintained across all participating states as well as at the NPCU and included standard reporting and control procedures. The last FM review conducted between February and April 2021 in the respective implementing agencies and

NPCU confirmed that annual budgets were prepared from approved work plans and implemented accordingly. Computerized accounting systems were deployed and were fully in use in all six implementing agencies and the NPCU. Bank reconciliation statements and fixed asset registers were noted to be up to date. The financial reports -- unaudited interim financial reports and the annual audit report -- were consolidated and submitted by the NPCU in a timely manner. At the time of project closure, the overall FM performance was considered Satisfactory, while the FM risk rating remains Moderate.

Procurement: The overall performance with regard to internal controls, record keeping, and contract management occurred as discussed in the PAD. To redress the procurement risks identified at the project design stage, the states engaged short-term procurement consultants at the start of the project to strengthen procurement capacity in the SPCUs. These experienced consultants supported the SPCUs in day-to-day procurement activities and capacity building as a stopgap measure before the project teams assumed full responsibility for procurement activities. Based on recent post procurement reviews including transactional desk reviews, overall procurement capacity remains Satisfactory. The Bank team provided regular capacity building and procurement implementation support to key procurement staff. At project closure, the overall procurement performance rating was considered Satisfactory, while the procurement risk rating was assessed as Moderate.

c. Unintended impacts (Positive or Negative)

None reported.

d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	
Bank Performance	Satisfactory	Satisfactory	
Quality of M&E	Substantial	Substantial	
Quality of ICR	---	Modest	

12. Lessons

The ICR (pp. 28-30) presents a series of lessons and recommendations emerging from the project's experience. IEG summarizes the most persuasive lesson below:

The experience of creating a fund to incentivize performance when several states or local governments at varying stages of development and with widely different capacity are participating in

a single project can accelerate project implementation. In this project, the Performance Challenge Fund was established to encourage the participating states to accelerate implementation, and it did. Mindful of the heterogeneity between states, progress was measured from the baseline of each state. A monetary reward from the Performance Challenge Fund for the states that made good progress on performance at the mid-term review served as an incentive for the states to focus on results in project implementation. Allowing the states to allocate the proceeds of the Challenge Fund to project components 1 and 2, based on the needs of each component, allowed for flexibility in the project's design. While putting in place such incentives, care needs to be taken to recognize inherent/initial disparities.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provides a reasonable overview of the program. It is candid and makes a commendable effort to construct a theory of change, as this was not required when the PAD was prepared in 2014. The quality of evidence and analysis related to the project's outcome indicators is strong. However, several critical details are missing. For example, the project cost and disbursement data reported in various parts of the ICR differs without explanation. The ICR does not document the cancellation of EUR 7.2 million of the grant.[1] The narrative generally supports the ratings, but it could have presented better evidence or even examples of how the outcome indicators improved accountability, what role the state legislatures and CSOs actually played once audited accounts and public procurement reports were available, and how many the states used the large increase in tax revenues for productive investment in service delivery. Except for Kano state, the ICR does not provide additional evidence. It is difficult to get a sense of how the project's achievements made a difference on the ground. In the section on Bank Performance – Quality at Entry, the ICR asserts that the project reflects lessons from several earlier and ongoing projects but does not provide any examples to substantiate the claim. The section on M&E design is similarly sparse.

[1] The total grant disbursed and cancelled amounts can be found only in a grant closing letter of October 5, 2021.

a. Quality of ICR Rating

Modest