FEDERAL REPUBLIC OF NIGERIA

WORLD BANK

PROGRAM-FOR-RESULTS FINANCING

BETTER EDUCATION SERVICE DELIVERY FOR ALL

(BESDA)

(P160430)

INTEGRATED FIDUCIARY SYSTEMS ASSESSMENT

Prepared by the World Bank

May 30, 2017
### ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Meaning</th>
</tr>
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<tbody>
<tr>
<td>ACTU</td>
<td>Anti-corruption Transparency Unit</td>
</tr>
<tr>
<td>BP</td>
<td>Business Policy</td>
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<tr>
<td>BPP</td>
<td>Bureau of Public Procurement</td>
</tr>
<tr>
<td>CBN</td>
<td>Central Bank of Nigeria</td>
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<tr>
<td>CRF</td>
<td>Consolidated Revenue Fund</td>
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<tr>
<td>DLI</td>
<td>Disbursement-linked Indicator</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>EFCC</td>
<td>Economic and Financial Crimes Commission</td>
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<tr>
<td>FME</td>
<td>Federal Ministry of Education</td>
</tr>
<tr>
<td>ICPC</td>
<td>Independent Corrupt Practices and Other Related Offences Commission</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and Communication Technology</td>
</tr>
<tr>
<td>IDA</td>
<td>International Development Association</td>
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<tr>
<td>IFMIS</td>
<td>Integrated Financial Management Information System</td>
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<td>IFSA</td>
<td>Integrated Fiduciary Systems Assessment</td>
</tr>
<tr>
<td>IPSAS</td>
<td>International Public Sector Accounting Standards</td>
</tr>
<tr>
<td>IVA</td>
<td>Independent Verification Agent</td>
</tr>
<tr>
<td>MDA</td>
<td>Ministries, Departments, and Agencies</td>
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<tr>
<td>MDG</td>
<td>Millennium Development Goal</td>
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<tr>
<td>OAGF</td>
<td>Office of the Accountant-General of the Federation</td>
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<td>OIM</td>
<td>Operation Implementation Manual</td>
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<td>OP</td>
<td>Operational Policy</td>
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<tr>
<td>PAP</td>
<td>Program Action Plan</td>
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<tr>
<td>PEFA</td>
<td>Public Expenditure and Financial Accountability</td>
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<tr>
<td>PEMFAR</td>
<td>Public Expenditure Management and Financial Accountability Review</td>
</tr>
<tr>
<td>PIFANS</td>
<td>Programmatic Integrated Fiduciary Assessment of Nigerian States</td>
</tr>
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<td>PPA</td>
<td>Public Procurement Act</td>
</tr>
<tr>
<td>SBD</td>
<td>Standard Bidding Document</td>
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<tr>
<td>SUBEB</td>
<td>State Universal Basic Education Board</td>
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<tr>
<td>TA</td>
<td>Technical Assistance</td>
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<tr>
<td>TSA</td>
<td>Treasury Single Account</td>
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<tr>
<td>TUGAR</td>
<td>Technical Unit on Governance and Anti-Corruption Reforms</td>
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<tr>
<td>UBE</td>
<td>Universal Basic Education</td>
</tr>
<tr>
<td>UBEC</td>
<td>Universal Basic Education Commission</td>
</tr>
<tr>
<td>UNCAC</td>
<td>United Nations Convention Against Corruption</td>
</tr>
<tr>
<td>WA</td>
<td>Withdrawal Application</td>
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I. Introduction

1. As part of the Program preparation, the Integrated Fiduciary Systems Assessment (IFSA) of the Program was carried out, consistent with OP/BP 9.0 and in accordance with the World Bank Guidance Notes for ‘Program-for-Results Financing’. The objective of the assessment was to examine whether Program systems provide reasonable assurance that the financing proceeds will be used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability. The financial management systems were assessed to gauge the extent to which the planning, budgeting, accounting, controls, funds flow, financial reporting, and auditing systems and practices provide a reasonable assurance on the appropriate use of Program funds and safeguarding of its assets. Equally, the Program procurement systems have also been assessed to establish the extent to which the planning, bidding, evaluation, contract award, and contract administration arrangements and practices provide a reasonable assurance in support of achievement of the Program results. In addition, the assessment considered how Program governance systems manage the risks of fraud and corruption and how such risks will be mitigated. This part of the IFSA is focused on the Program results component while annex 10 defines the financial management, disbursement, and procurement arrangements for the Technical Assistance (TA) component of the hybrid Operation.

2. The IFSA was conducted through a methodical review of systems and practices at the federal and state levels, involving on-site assessments at the Universal Basic Education Commission (UBEC) and in a sample number of State Universal Basic Education Boards (SUBEBs). Review of the diagnostic work earlier carried out at the federal and states’ levels was equally done to supplement the on-site assessments. The analysis took cognizance of the Public Expenditure and Financial Accountability (PEFA)/Public Expenditure Management and Financial Accountability Review (PEMFAR) work carried out in 25 out of 36 states and on the Federal Government, and the Programmatic Integrated Fiduciary Assessment of Nigerian States (PIFANS) (2015) carried out in six states, the diagnostics on Governance, Accountability and Finance Analysis of the Basic Education Sector in Nigeria (2015), ESSPIN - Universal Basic Education Commission Financial Systems Review (2010), the Performance Audit Report of the Auditor-General for the Federation on FTS by UBEC and its impact on Millennium Development Goal (MDG) 2 (2016). The team also reviewed the lessons learned in implementation of the recent collaboration between the Nigerian Government and the World Bank using results-based financing in the education sector—State Education Program Investment Project (P122124)—and identified the need to strengthen the predictability and timeliness of resource transfers to program delivery agencies as well as the timely completion of the independent verification process as key weaknesses to be managed under this operation. All these will be mitigated as (a) the introduction of service standards in the Operation Implementation Manual (OIM) will be instructive to allow for predictable and timely resource transfers and (b) the appointment of independent verification agents (IVAs) within three months of effectiveness is now included in the Program Action Plan (PAP).

3. The conclusion of the IFSA is that the Program systems meet the requirements of OP/BP 9.00 and are adequate for achievement of the Program objectives. The IFSA has identified certain risks and measures to mitigate such risks. The risks mitigation measures will be managed through methodical implementation of the PAP. The overall program integrated fiduciary risk
(financial management, procurement, and governance) is rated ‘High’ as a result of critical weaknesses in financial reporting, auditing, procurement, and governance systems and practices. The key mitigation measures arising from the identified risks, that are largely inherent in UBEC and SUBEBs in particular, are contained in the PAP.

A. Program Design and Expenditure Framework

4. The design of the Program benefits from the already established policy framework and governing principles of the Federal Ministry of Education (FME) for the Universal Basic Education (UBE) program, funded by the UBE Intervention Fund that is channeled through UBEC. The Program will aim to support and improve the UBE program, by building on ongoing interventions, while simultaneously incentivizing for enhanced accountability in the results areas. The Program itself is fully aligned to the MSP 2016–2019 which was adopted by the National Council on Education on September 29, 2016.

5. The expenditures under the UBE Intervention Fund, corresponding to the budget of UBEC, as well as targeted expenditures from the funds provided by the World Bank as leveraged resources that will be used to provide ‘transfers’ to performing states, constitute the Program expenditure framework.

Table 1. Summary of the Program Expenditure Framework

<table>
<thead>
<tr>
<th>Funds Source</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>146</td>
<td>170</td>
<td>149</td>
<td>149</td>
<td>149</td>
<td>760</td>
</tr>
<tr>
<td>IDA</td>
<td>123</td>
<td>109</td>
<td>131</td>
<td>106</td>
<td>141</td>
<td>611</td>
</tr>
<tr>
<td>Total</td>
<td>268</td>
<td>279</td>
<td>280</td>
<td>255</td>
<td>290</td>
<td>1,371</td>
</tr>
</tbody>
</table>

6. Below is the translated version of the total summary expenditure framework of the program (government and International Development Association [IDA]) according to economic classification of expenditures: Personnel cost (compensation of employees); Goods and Services (overheads); and Capital (investments) that are financed under the supported program boundary.

Table 2. Program Expenditure Framework, by Expenditure Category (2018–2022)

<table>
<thead>
<tr>
<th>Expenditure Category</th>
<th>Amount (in US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Capital</td>
<td>141</td>
</tr>
<tr>
<td>Goods and service</td>
<td>128</td>
</tr>
<tr>
<td>Personnel</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>274</td>
</tr>
</tbody>
</table>

7. In other words, out of IDA’s share of expenditures under the entire program (being US$611 million) the estimated amount, according to the economic classification of expenditures, is derived as follows: 27 percent to Capital (US$165 million); 71 percent to Goods and Services (US$434 million); and 2 percent to Personnel costs (US$12 million) as depicted in table 3.

Table 3. Program Expenditure Framework, by Funds Source and Expenditure Category
8. The UBE Act mandates the co-funding of basic education by the Federal Government and state governments. Earmarked fiscal resources from the UBE program are routed through the executive agencies at federal and state levels, and UBEC and SUBEBs are jointly vested with the fiduciary responsibility for their adequate use. All 36 states and the Federal Capital Territory of the Federation benefit from the initiative and all indeed do make provisions for expending on public education interventions. In effect, the UBE program therefore leverages states’ own efforts in delivery of basic education services. **For the purpose of this Program, the scope of the expenditure Program is roughly half the UBE program of expenditures that this World Bank Operation supports.**

9. With regard to the funds flow under the UBEC program financed through statutory transfers from the Federal Government’s budget, it is noteworthy to state that the execution of these transfers as well as the transactions of the expenditures related thereto is conducted using government-owned systems of budgeting, disbursements, accounting, and financial reporting within the context of UBEC’s enabling legislation.

**II. Program Financial Management Systems**

10. The financial management arrangements under the Program will be carried out using country systems which are, generally, in reasonably good operating order. The existing systems of budgetary planning, budget preparation, budget execution, accounting, internal controls, funds flow, financial reporting, external audit, and legislative oversight will continue to be adopted for Program implementation.

**A. Institutional and Legal Framework - Financial Management Arrangements**

11. The key institution for public financial management in the Federal Government and state governments is the federal or states’ Ministries of Finance and their respective agencies. Other players include the Ministry of Budget and National Planning, the National Assembly, and the Office of the Auditor-General for the Federation.

12. In Nigeria, the enabling institutional and legal framework for financial management is contained in the (a) Constitution (Sections 80–89)—accounts, audit, and investigations; (b) Finance (Control & Management) Act 1958—the organic public finance management law; (c) Fiscal Responsibility Act 2007, aiming to instil discipline into fiscal planning and management; (d) federal Public Procurement Act (PPA) 2007, and PPAs at states’ level that mirror the federal PPA—regulating public procurement for federal and states’ government funds; (e) Audit Act 1957; and (f) Freedom of Information Act 2011—aiming to improve transparency and public accountability by providing for public access to non-sensitive official data. **Along with the subsidiary legislations, regulations, and operational and financial directives which dictate the day-to-day basis for the management and oversight of public finances (notwithstanding the long overdue organic public finance legislation and the audit law), it is concluded that the legal framework is in place and acceptable to the World Bank.**
13. As a sectoral program of intervention, the Program’s financial management coordination will be anchored in and managed within the Directorate of Finance and Accounts of UBEC and at the SUBEBs, with primary overall responsibility vested in UBEC. In general, the Accountants-General of the Federation and the states as well as the Budget Directorates play a significant part in the overall management and control of public finances—in this context, releasing the budget for the statutory transfers to UBEC and transferring the funds to the UBEC account. The federal and states’ Ministries of Education have an overall policy-making responsibility for the sector as a whole.

B. Planning and Budgeting

14. The Federal Government and 14 states have fully transitioned to a new budget and account classification system that is Government Finance Statistics 2001 compliant, as a result of Federation Account Allocation Committee directive to harmonize classification methodologies across the federation. Ten other states are currently gearing themselves to also migrate from their legacy system of classification to the new standard, and these are being supported under the World Bank as well as European Union (EU) trust-funded operations. Improvements in the linkage of budgets to sector strategies are being recorded across a few states—essentially 6 out of the 21 states being supported by World Bank and EU trust-funded operations out of the 36 states—although there remains the question of reliability of these linkages in the absence of realistic costing of the strategies that feed into the budget.

15. The UBE Act prescribes the allocation of at least 2 percent of the Federal Government’s consolidated revenue to basic education. The budget for UBEC constitutes part of the overall education sector budget. Existing budgetary planning and budget preparation system entails the determination of the budget years’ service delivery framework through sector plans and preparation of financial estimates therefore, based on the budget ceilings provided by the Ministry of Budget and National Planning. While in general the draft ministries, departments, and agencies (MDA) budgets are delivered from MDAs to the Budget Directorate (at federal) or Ministries (in states) well before the commencement of the fiscal year, the federal budget (not the states) approval by the legislature has been traditionally marred by delays, year on year. Following legislative approval of the federal annual budget appropriations, the Office of the Accountant-General of the Federation (OAGF) transfers 100 percent of the appropriated statutory funds to UBEC on a monthly basis. At the level of the states, program implementation could well be impaired as a result of the inability or willingness of the states to budget their matching contributions to the grants that UBEC will provide. The budgetary system at state level is broadly characterized by deteriorating budget credibility as a result of expenditure budget ‘padding’ in the absence of realistic estimation of revenues. The exercise of discretions by State Governors on fiscal matters in the absence of well-functioning fiscal policy management strategies has limited the usefulness of budgets as instruments of policy intent. The disbursement rate of the UBE Intervention Fund has therefore decreased dramatically and the matching grant intended to fund the construction and refurbishment of school facilities has been accessed by a declining number of states. The ability of UBEC to comprehensively deliver on its mandate is therefore being impaired.

C. Payments and Flow of Funds
16. The Federal Government transacts its budgetary spending through a system of a Treasury Single Account (TSA) held with the Central Bank of Nigeria (CBN). At present, all budgetary resources are processed through the government integrated financial management information system (IFMIS). This is a significant improvement from the erstwhile status quo when cash was being indiscriminately moved from the Consolidated Revenue Fund (CRF) held with the CBN to nominated commercial bank accounts of agencies, thus undermining the good principles of an effective and efficient cash management system. UBEC, as with other subvented government agencies that receive statutory transfers through the budget, is excluded from the IFMIS. The OAGF, through the IFMIS though, makes approved budget transfers to UBEC’s subaccount in the TSA held with the CBN and from which UBEC accesses through a uniform electronic payment platform (REMITA) to finance its own budgetary expenditures.

17. At the level of the states, the control in funds flow is exercised through the Ministries of Finance and, by extension, the Offices of the states’ Accountants-General, after the budget release to MDAs is made through the Budget Office. Generally, most states do not maintain a TSA system. However, they do maintain a cash management system based on a strictly cash budgeting arrangement. Their CRFs are held across a number of selected commercial banks within their respective states and the daily status of cash balances in individual accounts is monitored. Expenditures undergo a process of validation at the MDA level as well as at the states’ Accountants-General Offices, and pre-payment audits are undertaken on every expenditure transaction before payment is authorized. Apart from a few states that operate a mixture of electronic cash transfers and check system (under a cashless economy policy), most of the states execute their payments by check or even cash. The latter constitutes areas of risk of fraud and corruption. Recently, in July 2016, all 36 state governments have subscribed to the 22 Point Fiscal Sustainability Strategy and Plan that seeks to support states in reversing their current fiscal management weaknesses, including transitioning to TSA arrangements.

18. To mitigate the risk of delay in the transfer of Program funds from IDA to the states, service standards will be established (to be included in the OIM) to ensure, among other things, that funds are transferred to the eligible states’ accounts within 21 days of receipt of withdrawn Program results component funds into the Special Fund Account held with the CBN.

D. Accounting and Financial Reporting

19. The federation has adopted the International Public Sector Accounting Standards (IPSAS) cash basis of accounting and financial reporting as of fiscal year 2014, although a majority of states is still lagging behind in implementation. In addition, the federation has adopted the new chart of accounts and budget classification system that is Government Finance Statistics 2001 compliant (although implementation still remains uneven across states, with the Federal Government and only 14 other states having commenced implementation). In effect, Nigeria is moving progressively toward complying with international standards on accounting and financial reporting as well as on use of a classification methodology (for budgeting, budget execution, accounting, and reporting) that conforms to international best practice. Implementation challenges remain, but these are being monitored and managed under the auspices of the Federal Account Allocation Committee.
20. Accounting for and reporting on financial transactions in UBEC and SUBEBs is fully manual. Notwithstanding the inherent weaknesses in using non-ICT-based systems in the accounting of multiplicity of transactions—ranging from errors in postings, delays in the preparation of financial statements, and the absence of audit trails—the system of accounting and financial reporting at UBEC is generally performed at acceptable levels, save for the delays in consolidation due to information limitations on SUBEBs’ activities. The commission is endowed with adequately qualified and experienced staff in financial management. For the purpose of the program, the entity financial statements of UBEC will include the transactions in the Special Fund Account and the TA component supported by the World Bank. The requirement for SUBEBs to render monthly financial returns to UBEC is not being fulfilled on time. Currently, a large number of the SUBEBs are in default of about two years, on average, in the submission of their financial returns. As reflected in the PAP, UBEC’s financial management system will be computerized to allow for timely and accurate accounting and reporting under an improved control environment. With respect to SUBEBs, capacity enhancement programs shall be provided through UBEC to allow for timely and reliable reporting. A simplified but comprehensive reporting template will be designed by UBEC and shared with all SUBEBs, and financial returns will be submitted monthly to UBEC for aggregation and consolidation in UBEC’s overall reporting.

E. Internal Controls and Internal Audit

21. The internal control over expenditures is one of the key areas of risk for the Program. Evidence from the reports of the quarterly financial monitoring of SUBEBs being jointly conducted by staff of the Finance and Accounts Department and Internal Audit Unit of UBEC indicates weak internal controls. Issues flagged in the financial monitoring reports include unretired advances, ineligible expenditures, borrowings from the UBE Intervention Fund, investing of the UBE Intervention Fund in interest yielding securities, inadequate documentation for incurred expenditures, and non-rendition of financial returns by SUBEBs. Operational expenses are therefore a central concern in this Program. Internal controls over operating expenses will also require strengthening under the Program; the PAP therefore includes the institution of an enhanced accountability framework over operating expenditures.

22. The internal audit process is largely focused on pre-payment audits, while lacking in oversight as a support function to internal management. Leakages remain in the expenditure management system due to dearth of risk-based internal audit and control processes, and lack of focus on systemic issues. A key challenge will be how to divorce the internal audit function from involvement in the expenditure processing cycle and accord independence to the role the internal auditors play. This is an institutional issue cutting across the Federation but UBEC, through the UBE program, will address the shortcoming, on a pilot basis, by ensuring that an internal auditor is assigned to carry out ex post systematic and risk-based audits, and thus enable the internal audit function to operate independent of the expenditure processing cycle.

F. Oversight - Program Audit

23. In general, the Auditor-General of the Federation as well as the states’ Auditors-General conduct the independent audits of public finances in their respective jurisdictions. UBEC is statutorily to be audited by private sector auditors. However, the constitutional responsibility is
vested in the Auditor-General of the Federation to review the audit report and submit the report to the National Assembly. The financial statements of UBEC have not been audited for the past four to five years in violation of the legal requirement.

24. With respect to the Federal Government, external audit (according to PEFA 2013) covers at least 50 percent of total expenditures of the Federal Government, including the education sector. The submission of the audit report (as well as the financial statements upon receipt of the draft accounts from the Accountant General of the Federation) to the legislature has been achieved within four months of the end of the period covered. Although the accounts for 2015 are yet to be audited due to delay in the Accountant General of the Federation’s closing the books on time, there are clear prospects that the audit report submission to the legislature will resume timeliness. The quality of audit has begun to be improved, especially with the implementation of key reforms supported under the World Bank-financed Economic Reform and Governance Project, and there is a progressive transition to International Organization of Supreme Audit Institutions standards of auditing. Notwithstanding, audit follow-up at the level of the legislature has continued to remain weak.

25. Noting the Program boundary of the Operation, the annual audited financial statements of UBEC, as an entity, inclusive of the transactions in the Special Fund Account (Program results component) and the TA component account will be considered as constituting the basis for the annual financial assurance required by the World Bank. The audited financial statements shall be submitted to the World Bank within nine months of the end of the government fiscal year. Nevertheless, since UBEC’s financial audits are in arrears for about four years already, such audits will be accomplished and reported on within 12 months of effectiveness of the Program. The TA component could finance the cost of the audits in the absence of availability of adequate resources from UBEC’s own funds. UBEC’s financial audits will be carried out by UBEC entity auditors who are private sector auditors.

26. The states Auditors-General also conduct the audits of the financial statements of their respective states and render them to the states’ assemblies. PEFA reports of states indicate that, in general, the audited financial statements and their related reports are submitted to the legislature within 12 and 15 months of end of each fiscal year, although a few states do render these accounts within 6 months of fiscal year-end. The quality of these audits remained, though, uneven across states. Under the Program, the states’ Auditors-General will audit their respective SUBEBs and the audit reports will be reviewed during the Program’s implementation support missions.

G. Disbursements from the World Bank

27. The IDA credit proceeds of the Program results component, in the equivalent sum of US$578 million, will be disbursed to the Federal Government’s Special Fund Account, which serves as a subaccount of the TSA held with the CBN—triggered by the achievement of the disbursement-linked indicator (DLI) results for the Program. Upon achieving DLI-related results, a withdrawal application (WA) will be submitted to the World Bank under the joint signature of the FME and UBEC, using the World Bank’s standard disbursement forms through the e-disbursement functionality in the World Bank’s Client Connection system. The WA will be accompanied by certified and cleared evidence from the World Bank task team that the related
results were achieved. Disbursements to performing states will be made directly from the Special Fund Account, co-managed by the FME/UBEC, to the Special Fund Accounts of the respective SUBEBs held with a commercial bank managed by the SUBEBs and State Ministries of Education. To mitigate the risk of delay in the transfer of funds from the UBEC/FME to the SUBEBs, it is reiterated that service standards will be established to ensure that states’ share of funds received in the TSA at the federal level (by virtue of their meeting the DLIs) are transferred to the states’ accounts within 21 days of receipt of the funds into the primary Special Fund Account held with the CBN. The Program funds flow for the Program results component is provided in schematic form in figure 1.

28. As earlier highlighted, disbursement arrangements will allow disbursement of ‘advances’ to a tune of 15 percent of the total Program amount with a view to facilitating acceleration and drive to achieving the results for one or several DLIs designed for achievement in a future year. Any advances provided shall be recovered when the related DLIs remain unmet at a subsequent disbursement period until the DLIs are met during the life of the Program.

29. The principle for disbursements against DLIs adopted by the Program implementation will be as follows. For any DLI not met at the evaluation date in any single year, the price allocated to that DLI will remain undisbursed (or recovered from the next cycle of disbursements until the DLI is met at a future date during the life of the Program). DLI results will, largely, be subject to scalability and, as a result, disbursements will follow the same mechanism.

H. Program Financial Management Risk

30. In spite of the existence of a robust financial management information system at the Federal Government level for budget management, accounting for and reporting on transactions at UBEC is done using manual accounting systems with its associated inherent weaknesses, especially with the lack of automation of financial records and the delays by SUBEBs in submitting their financial returns. This remains a cardinal risk to the Program.

31. Given the weak internal controls as highlighted above, the reinforcement of internal controls through the introduction of a methodical internal audit function within the education sector (essentially the FME and UBEC) shall be implemented. Currently, the role of internal audits at both the federal and states levels is limited to conducting ‘pre-payment audits’. This functioning mandate comes from the local laws and does imply that internal auditors who should be independent, consistent with the International Institute of Internal Auditors’ standards, are directly involved in the expenditure processing cycle—a factor that undermines the independence and integrity of internal auditors. As part of the PAP, the Accountant-General of the Federation will assign separate internal auditors to UBEC to carry out ex-post audits that will focus on systemic issues and risk and thus mitigate the effects of possible collusion between the pre-payment audit teams (as mandated by law) and those with spending authority under the Program. This is another critical area of risk to the achievement of the Program objectives. Reports of the ex-post internal auditors shall be submitted to the Permanent Secretaries of the Ministries of Education, the Accountant General, the Auditor General, and the Executive Secretary of UBEC, and shared with the World Bank on quarterly basis.
32. The draft financial statements of UBEC, including the Program results component expenditures and TA component, shall be prepared within three months of the end of the fiscal year and submitted to the private external auditors. In addition to meeting the DLIs, one of the criteria to be established is for ensuring that the overall program expenditures (actual) at program closure is more than or equal to the Program withdrawals (disbursements) from IDA. Any over-withdrawals will need to be recovered from/refunded by the Federal Government. This will ensure that the results achieved have a relationship with financial resources deployed.

![Figure 1. Program Results Component Funds Flow – Schematic Diagram](image)

Note:
[A]: States and other beneficiaries submit evidence of performance against criteria verified by the IVA to UBEC.
[B]: Upon verification and assessment against criteria, FME/UBEC submit WA to the World Bank for disbursement.
[C] DLIs: For DLIs (including for prior results), the World Bank disburses to FME/UBEC’s Special Fund Account held with the CBN for subsequent payment to beneficiary states under the Program.
[C] Advances: For advances under the Program, the World Bank disburses to FME/UBEC’s Special Fund Account held with the CBN for subsequent payment to beneficiary states.
[D]: From the Special Fund Accounts, FME/UBEC transfer to qualifying states. Transfers to states will be accomplished within 21 days of receipt of disbursements from the World Bank.

_It is to be noted that 2 separate Special Fund Accounts (one for the Program DLIs and the other for advances) will be maintained at the CBN._

33. Finally, the external audit of the Program expenditures will be critical to providing the requisite assurance that the Program resources were appropriately used with the requisite economy, efficiency, and effectiveness toward achieving the Program goals. To this end, and with a view to managing the risks to program outcomes on time, the private external auditor will carry out (a) the audit of the backlog of UBEC’s financial statements and submit a copy to the World Bank; (b) subsequent audits of the financial statements of UBEC, inclusive of transactions in the Special Fund Account and the TA component; and (c) delivery of the audit report to UBEC and the Auditor-General of the Federation as well as submission of a copy to the World Bank within nine months of the end of each fiscal year. _Late submission of the audited financial_
audit reports of UBEC including the Program as a whole is one of the identified risks to be managed.

34. Overall, notwithstanding the established deficiencies in financial management at the sector level (drilled down from the conclusions of the PEFAs/PEMFARs and the sector analytical underpinnings), there is reasonable assurance that the established systems will be adequate, especially when the mitigating factors as highlighted in the PAP are adopted and implemented.

III. Program Procurement Systems

A. Assessment of Procurement Framework

35. Nigeria’s procurement environment is largely premised on the progress achieved in implementing a procurement reform program based on the recommendations of the 2000 Country Procurement Assessment Review. With the enactment of a PPA in June 2007, the enabling legal framework aimed at establishing transparent, fair, and cost-effective use of public funds has been in place. The provisions in the act are consistent with the principles of the United Nations Commission on International Trade Law Model Law, and are applicable to all procurement categories (suppliers, contractors, consultants).

36. Following the enactment of the Procurement Act, a regulatory agency, the Bureau of Public Procurement (BPP), was established. The Government has also prepared relevant implementation tools, including regulations, Standard Bidding Documents (SBDs), and manuals. In addition, a procurement professional cadre has been created at the federal level and in some states. A complaints and appeals mechanism has been established in accordance with the provisions of the act to enhance transparency and accountability. The gains of the procurement reform at the federal level have extended to the 36 states of Nigeria. Presently, 24 states have passed their respective procurement laws while other states have draft procurement bills under consideration.

37. Notwithstanding the above successes, there are still inherent weaknesses in the public procurement system in Nigeria. In 2012/2013, the World Bank conducted a Procurement Value Chain Analysis which identified the following weaknesses at the federal level: delay in budget approval; late release of budgeted funds; lack of budget-linked procurement planning; failure of full compliance with the use of SBDs; poor bid evaluation reports; delays in contract award approvals; weak procurement and performance monitoring; poor record keeping, fraud and corruption; and lack of effective enforcement of sanctions as provided for in the law.

38. At the states’ level, procurement law has been enacted in 24 states while the remaining states have draft bills at various stages of consideration; procurement regulatory agencies have been established in 18 states. The PIFANS for Lagos, Ondo, Edo, Delta, Rivers, and Bayelsa also identified the procurement weaknesses in the states. In addition, PIFANS highlighted the (a) need for the states to develop and deploy necessary procurement tools, including regulations, manuals, and SBDs; (b) need to professionalize the procurement function; (c) need for publication of contract award to enhance transparency and demand for accountability; and (d) need for the establishment of complaints and appeals mechanism.

B. Overview of Procurement Performance in UBEC
39. **Scope of the review.** This assessment covers the enabling legal framework; the organizational aspects; procurement processes; record keeping and document management system; staffing capacity; quality and procurement planning; development of the procurement documents; bids/proposals submission; evaluation of the proposals and contract award; and application and appropriateness of the laws, rules, and regulations applicable to UBEC in the implementation of the Program. To this end, the review also covered a sample representative of SUBEBs.

40. **Institutional arrangements and staffing.** UBEC has a Procurement Unit with six procurement staff, including the head of the unit, and an Assistant Director who reports directly to the Executive Secretary of UBEC. The unit carries out three types of procurements: (a) textbooks and education materials for states under the intervention program; (b) construction and rehabilitation of facilities under the Imbalance Fund; and (c) construction and rehabilitation of facilities under constituency funds. UBEC buys textbooks directly from publishers of the four major subjects: English; mathematics; basic science; and social studies. The same publishers have been supplying these textbooks since 2009 and SUBEBs also buy from the same publishers for uniformity and quality standards in education delivery. The procurement staffing capacity is inadequate to undertake all the required procurement work, and the procurement unit suffers from regular depletion of its experienced staff arising from staff rotation among MDAs in the public service. For the current staff to perform optimally, more training will be required and provided through the TA component of the Program. The program will finance procurement training for the procurement staff of UBEC and SUBEBs in the procurement of goods and works as well as contract management and Procurement Consultants will be engaged to assist UBEC and SUBEBs in building the capacity of the procurement staff on the job and assist the procurement officers in carrying out their procurement responsibilities. There will also be TA for building the capacity of the SUBEBs for electronic filing and improved records management.

41. **Procurement management.** There are a number of problems associated with procurement management at UBEC. These include (a) lack of competition in the purchase of textbooks as the same suppliers have been engaged since 2009; (b) price differences between the textbooks procured from the same suppliers by UBEC at the federal level and by SUBEBs; (c) weak procurement capacity; and (d) inadequate storage facilities for procurement documents. At SUBEBs’ level, there are several issues with procurement of construction/rehabilitation works at the state level: (a) the bidding documents are not standard, thus not complying with the federal PPA 2007 or the state Public Procurement Law where such laws exist; (b) capacity for procurement of works is particularly weak; as a result, the laid down procedures in the bidding document are not complied with at different stages of the procurement process; and (c) contract management is also weak and procurement staff are not involved in contract management of construction/rehabilitation works.

42. The overriding causes of weak procurement management in UBEC and SUBEBs are the following: weak institutional oversight and lack of Anti-corruption Transparency Units (ACTUs) in UBEC, in particular, to repress corrupt practices. As part of the measures to mitigate the effects of these lapses, UBEC will be supported in its efforts to use framework agreements for procurement of textbooks that will allow all SUBEBs to take advantage of lower prices that accrues from the economics of scale of combining all requests from the respective SUBEBs and eliminate annual practice of going through the yearly procurement process. Framework
agreements will be advantageous as the books will be procured from the publishers of established textbooks for the four basic subjects. At the most, the premium for delivery to restive locations such as the North East and South South will have been factored in and negotiated with the publishers up front and delays in delivery will be minimized; the Program will also assist UBEC to engage consultants to conduct Procurement Post Review of the SUBEBs’ procurement activities on a rotational basis where respective SUBEBs will be covered in different years of the program. The weaknesses highlighted in the Procurement Post Reviews will be used to prepare preventive and/or remedial actions for SUBEBs not reviewed in a given period. The procurement reviews will be covered as part of the TA and included in the PAP; clarify the institutional responsibilities for oversight and coordination across the entire program; and position an ACTU function within UBEC. In addition, mainstreaming open contracting across UBE interventions (an action in the PAP) will support the performance review of all the major stages of procurement from procurement planning to contract implementation, including for construction and rehabilitation. It is clarified here that the Program results component will use country procurement systems.

43. The profile of the procurable items in the program include textbooks and educational materials and construction and rehabilitation of classrooms and other school infrastructures such as libraries, clinics, and toilets. These structures are usually prototype designs of three-room classrooms, four classrooms with teachers’ room and store, classrooms with library, and small infirmaries to serve as school clinics. The construction costs of these structures are fairly uniform across the country except for expected increases that can be attributed to the risk of restiveness in the South South and the North East of the country. The Program does not envisage the procurement of high-value contracts that will warrant World Bank review. The average cost of construction of the biggest school facilities (Junior Girls Model School) does not exceed US$700,000 while the procurement of classroom furniture for the respective schools does not exceed US$500,000. At the SUBEB level, it is common practice for like items to be grouped together and procurement using open competitive method such as National Competitive Bidding.

44. **Funding.** UBEC receives full releases of its statutory budgetary resources; as such, there are no issues with payments for duly executed contacts. Funds are released as matching grants to states’ contributions to SUBEBs’ operations.

45. **Stock control.** The Stores Unit in UBEC has four full-time staff. There is no documented procedure to guide the operation of the stores and no documented procedures are in place for dealing with the disposal of obsolete goods and stores. Record keeping is inadequate, and the asset register is not updated regularly. As part of the OIM, the control processes for better stock management will be included and the internal audit function will regularly review these to ensure compliance.

46. **Record keeping.** At UBEC, for each contract, there is a specific file for procurement and contract management that ensures an audit trail and lends to easy auditing. Each file individually describes the entire history of the procurement process—from invitation for bids up to contract award. The Procurement Unit implements a manual filing system and all procurement files are kept in metallic locked cabinets in the offices of the procurement staff. The procurement information can be located and this is protected from unauthorized access. More sensitive documents such as the financial proposals, original bids that are being evaluated, and so on are
kept in a secured safe, accessible only to the procurement staff. This practice fulfills the legal requirements of the PPA. At the SUBEB level, record keeping is manual and very poor. As indicated above, there will be TA for building the capacity of SUBEBs for electronic filing and improved records management.

47. **Open contracting.** UBEC has piloted open contracting for its procurement under its direct intervention. The National Action Plan of the Nigerian Government on open government mentions that UBEC is among the first public institutions to pilot the initiative. SUBEBs have yet to be part of the pilot but are progressively expected to. Under the open government initiative, the Nigerian Government is committed to mainstream compliance with open contracting international standards and the BPP is elaborating a framework to that effect. When fully in place, UBEC is expected to comply with open contracting guidelines, for its direct interventions, and to promote compliance with open contracting standards at state level for the utilization of the matching grant.

IV. Assessment of Fraud & Corruption Risks and Mitigation

48. Consistent with OP/BP 9.0, and as part of the IFSA, an assessment was carried out on the existing institutional and oversight systems and practices in Nigeria pertaining to ‘Governance and Anticorruption’ and their applicability to the proposed UBE Program. The assessment examined the proposed design and implementation of the Program using the governance framework principles of transparency, accountability, and participation and whether the existing institutions and processes were able to meet requirements of the *Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing (February 1, 2012).* As part of the assessment, the institutions participating in the implementation of the Program and their interlinkages were examined to draw conclusions on the impact of their governance structure and practices on the objectives of the Program, and how they may well interfere with the effective and efficient service delivery activities foreseen under the Program across different layers of government in Nigeria. Specifically, the assessment examined the extent to which fraud and corruption can surface during implementation, and how these can be mitigated under viable action plans and other mitigating factors. It appears that the program is exposed to three main risks of fraud and corruption: (a) fraudulent or corrupt procurement transactions; (b) diversion of funds; and (c) potential administrative and bureaucratic delays in transferring states’ share of funds received in the TSA at the federal level.

49. The assessment methodology applied benefitted from dialogue carried out with responsible stakeholder institutions and agencies including the Independent Corrupt Practices and Other Related Offences Commission (ICPC), Economic and Financial Crimes Commission (EFCC), and the sector-specific anticorruption units that are all central to the determination of policy, regulatory, and/or operational ‘fraud and anticorruption’ aspects in government. In UBEC, an Anti-Corruption Committee is just being constituted. Specific reference to the laws and regulations governing fraud and corruption was made to identify the adequacy of these enabling legislations to, at least in principle, serve as instruments of deterrents against governance malpractices. This assessment resulted in the identification of measures and actions in the PAP that could together support the mitigation framework for improved outcomes during Program implementation.
50. For lack of an objective indicator of corruption, one usually refers to perception of corruption: in this regard, Nigeria fares poorly despite recent progress. Under Transparency International Corruption Perception Index, Nigeria was deemed the most corrupt country in 1997 and ranked 136 in 2015 among 168 countries, after having reached its best ranking in 2008 (121 out of 180 countries). Endemic petty corruption affects citizens directly and prevents the most destitute to access public service in general and education in particular; according to a recent survey, nearly half of the respondents claim that they have to pay a bribe to secure admission to school for their children. This defies the policy objective of granting every child free and compulsory basic education.

51. Other forms of corruption affect the quality of education as well as access and equity, such as the diversion or misuse of public funds, examination malpractice, and so on. It is reported that “once they have graduated, students face pressures to pay teachers and administrators to sign “clearance” forms, without which schools will not release official results, thereby suspending any future educational options.” It has also been observed that some teachers choose to be entrepreneurial in schools. Some accept bribes to help students cheat on exams. Other abuses of power come in the form of using student labor to create goods that teachers then sell, or forcing students to attend and pay for additional tutoring.” Political patronage also seems to negatively impact the implementation of basic education at the local level: it may result in the recruitment of unqualified teachers; it may also reflect in the inexplicably high proportion of non-teaching staff in public pre-primary, primary, and junior secondary schools in certain states. Whereas the national average hovers around 11 percent of total education staff, this proportion climbs as high as 70 percent in certain states, according to the national personnel audit of 2010.

52. Although such symptoms of corruption may result in public distrust of public institutions, it does not say much about the effectiveness of the country’s anticorruption institutions and systems.

In this regard, a recent draft assessment of public service reforms offers an informed and candid diagnostic of anticorruption reforms at the federal level: in essence, it concludes that although the legal and institutional anticorruption frameworks have been significantly strengthened since the end of the military regime, they remain relatively ineffective. But it still highlights tangible achievements at the institutional (for example, National Financial Integrity Unit) and sectoral level (for example, on money laundering, pensions, fertilizers). A recent peer review of the implementation of the United Nations Convention Against Corruption (UNCAC) in Nigeria confirms that its legal and institutional anticorruption framework is robust enough.

53. A core reform pursuit of the new administration falls in the governance arena—strengthening its response to public corruption. A lot is being achieved as the legacy of impunity

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1 ActionAID, Poverty and Corruption in Nigeria, 2015.
3 Bureau of Public Service Reforms, 2015, Compendium of Key Public Service Reforms. What is Working and What is Not?
is being progressively reversed. On transparency, Nigeria joined the OGP in May 2016. Some of the accountability institutions are increasingly asserting themselves and are now considered critical change agents for governance reforms.

54. **The anticorruption legal framework in Nigeria.** The anticorruption legal framework rests essentially on the criminal justice system and more specifically on the Corrupt Practices and Other Related Offences Act, 2000, as well as on the UNCAC, ratified in 2004. Additional pieces of legislation address conflict of interest, promote transparency (asset disclosure and freedom of information), and strengthen the governance of extractive industries (Nigeria Extractive Industries Transparency Initiative Act). Legal provisions relevant to the education sector defined in Corrupt Practices Act as criminally punishable corrupt practices include:

> “Any public officer who uses his office or position to gratify or confer any corrupt or unfair advantage upon himself or any relation or associate of the public officer or any other public officer shall be guilty of an offence and shall on conviction be liable to imprisonment for five (5) years without option of fine.”

55. This provision extends to sheer solicitation by a public officer of any undue advantage for providing assistance of using one’s influence, as well as to attempted (but not actual) corrupt practices as well as to corrupt practices on behalf of third parties.

56. The Nigerian criminal law also sanctions “any person who, being employed in the public service, takes, or accepts from any person, for the performance of his duty as such officer, any reward beyond his proper pay and emoluments, or any promise of such reward.” The law punishes both active and passive corruption, that is, both public officials and the private parties to the transaction—with the definition of public officers under the Corrupt Practices Act extending to all elected and non-elected officials, at federal, state, and local levels, in public administrations or state-owned enterprises.”

57. With regard to **public procurement**, the Corrupt Practices Act specifies:

> “Any public servant who, without lawful authority or reasonable excuse, solicits or accepts any advantage as an inducement to or reward for or otherwise on account of his giving assistance or using influence in, having assistance or used influence in the promotion, execution, or procuring of

   (i) Any contract with a public body for the performance of any work, the providing of any service, the doing of anything or the supplying of any article, material or substance; or

   (ii) any sub-contract to perform any work, provide any article, materials or substance required to be performed provided, done or supplied under any contract with a public body; or

   (iii) the payment of the price, consideration or other moneys stipulated or otherwise provided for in any such contract or sub-contract as aforesaid;
shall be guilty of an offence.”

58. The Corrupt Practices Act sanctions conflicts of interests of public officers in charge of financial transactions:

“Any person who, being employed in the public service, knowingly acquires or holds, directly or indirectly, otherwise than as a member of a registered joint stock company consisting of more than twenty (20) persons, a private interest in any contract, agreement or investment emanating from or connected with the department or office in which he is employed or which is made on account of the public service, is guilty of an offence, and shall on conviction be liable to imprisonment for seven (7) years.”

59. Public officers are also criminally liable for not reporting any unduly offered, promised, or granted gratification. Private individuals who have been solicited to pay a bribe to a public officer are also criminally liable for not reporting it to the ICPC or the police.

60. Asset disclosure. All public officers are constitutionally mandated to declare to the Code of Conduct Bureau their assets and liabilities on assumption and term of office, and every four years for permanent employees. Failure of declaration of assets may entail removal from office, disqualification from holding any public office, and forfeiture to the state of any property acquired through abuse of office or dishonestly.

61. Nigeria is a party to the UNCAC since it signed and ratified it in 2004, that is, after its Corrupt Practices Act was enacted. As such, it is submitting itself to implementation self-assessment\(^6\) and peer review. A second peer review is ongoing.

62. The anticorruption institutional framework. The Nigerian anticorruption institutional framework comprises multiple agencies at the federal level, loosely coordinated by the President’s office (within the interagency task team on anticorruption).\(^7\) But the weakest level rests at the departmental and agency levels, with ACTUs to be established in each and every ministry, department, and agency and which are the most relevant for the purpose of assessment under the program. The anticorruption nodal agency in Nigeria is not the EFCC but the ICPC. But a recently established Technical Unit on Governance and Anti-Corruption Reforms (TUGAR) is an important addition for corruption risk assessment.

63. The ICPC. Established in 2000 by the Corrupt Practices Act, the ICPC has both a repressive and preventive role. It has a membership of 12 seasoned professionals (two from each

\(^5\) Under the Corrupt Practices Act, also qualify as criminal offences 1) the award or signing of contracts without budget provision, approval and cash backing and 2) the transfer and payment of any sum allocated to a particular project or service to another one.

\(^6\) See the 2013 self-assessment report.

\(^7\) The IATT comprises of representatives of the Office of the Attorney General of the Federation and Ministry of Justice, the Ministry of Foreign Affairs, the Federal Ministry of Finance, the Economic and Financial Crimes Commission, the Nigerian Financial Intelligence Unit, the Independent Corrupt Practices and Other Related Offences Commission, the Code of Conduct Bureau, the Public Complaints Commission, the Nigerian Extractive Industry Transparency Initiative, the Technical Unit on Governance and Anti-Corruption Reforms, the Nigerian Police Force, the Federal Inland Revenue Service, the Office of the Auditor General, the Corporate Affairs Commission, the Central Bank of Nigeria, the National Drug Law Enforcement Agency, the Bureau of Public Service Reforms, the Budget Office of the Federation.
of the six geopolitical regions of Nigeria) and a chairman (who has to be a magistrate)—all nominated by the President and confirmed by the Senate. Legal provisions ensure the independence and probity of the commission. For the past three years, the ICPC has refocused on the prevention of corruption in three areas of service delivery: health, education, and water supply. In those sectors, it has recently published a report on corruption risk assessment in cooperation with TUGAR and the BPP. Its recommendations will be applicable to the implementation of this Program. Allegations of corruption can be conveyed to it by email or by phone and are also conveyed to it indirectly through websites such as BribeNigeria or Egunje (which publish statistics on the geographical and sectoral distribution of gathered allegations) run by nongovernmental organizations (NGOs).

64. The EFCC. The EFCC (created in 2004) is the nodal agency for anti-money laundering, financing terrorism and other economic and financial crimes. Its role is complementary to that of the ICPC but it is not the most important anticorruption agency for the purpose of this Program (neither is the National Financial Integrity Unit which gathers intelligence on suspicious financial transactions), even though the EFCC mandate overlaps somewhat with that of the ICPC.

65. Other agencies also contributing to anticorruption such as the Public Complaints Commission (established in 1975); the Code of Conduct Bureau (created in 1990) essentially ensuring compliance by public officers of their legal obligations in the performance of their functions (including on asset disclosure); and TUGAR (created in 2008), mandated to collect data, monitor and evaluate governance and anticorruption initiatives across the three tiers of government, conduct corruption risk assessments and provide policy advice on anticorruption.

66. ACTUs within federal MDAs. ACTUs are the nodal anticorruption agency at the departmental level. Their creation has been decided by the Head of Services on recommendation from the ICPC. They are responsible for the prevention of corruption and preliminary investigations. They are partly independent from the chief executive officer of department (Permanent Secretary): their chairman is appointed by the Head of Services and cleared by the ICPC; they report on their investigations to the ICPC (with copy for information to the Permanent Secretary). But their budget is still allocated by the ministerial department they belong to, thus impairing their financial independence. The ICPC is reviewing the budget issue of ACTUs while arguing that they should not be conducting full-scale investigations by themselves but only collecting intelligence to be conveyed to the ICPC, sole agency in charge of criminal investigations.

67. The role of ACTUs is to serve as the main link between ministries and government agencies on the one hand and the commission on the other. For the repression of corruption, ACTUs “receive oral and/or written reports of conspiracy to commit/attempt to commit an offence of corruption and submit both their initial report and their comments to the Secretary of the Commission with copies to the Permanent Secretary/Chief Executive within thirty (30) working days.” As regards prevention, ACTUs “examine the practices, systems and procedures in the MDAs and where in the opinion of the Unit, such practices, systems or procedures aid or facilitate fraud or corruption, they submit a detailed report with recommendations to the Secretary of the Commission [ICPC] for appropriate action with copies to the Permanent
Secretary/Chief Executive” of the relevant ministry or agency. Their role extends to training and sensitization of department staff and counterparts (for example, visitors) on corruption.

68. For the purpose of the World Bank Program supporting the UBE program, it is critical that an ACTU be established at UBEC as mandated by the law, in compliance with relevant regulations. When established, it is expected to handle allegations of corruption under the program and assess the robustness of UBEC systems and report on the matter to ICPC so that it advises its management on remedies to identified weaknesses.

69. **Anticorruption institutional framework at the state level.** The Corrupt Practices Act applies to any state-level or local-level government employee and grants the ICPC jurisdiction over all of them. For the purpose of this Program, TUGAR, the ICPC, and BPP identify significant risks of corruption at state level under the UBE program:8

   - “The absence of automation poses a corruption risk. Without the benefit of reliable data and a proper tracking of Basic Education indices there is a possibility of manipulation of data and resources by SUBEBs.”
   
   - Access by states to the matching grant “invariably creates a monitoring challenge for UBEC and room for misapplication of the funds by the states. There is no record of penalties for misapplication of funds [which] worsens the risk of misapplication of funds.”
   
   - “The UBEC Act clearly places the responsibility for the administration and disbursement of funds on the SUBEBs. This creates a risk of ineffectiveness of UBEC in some states which are unable or unwilling to provide the necessary framework for carrying out their responsibility under the Act. States employ several gimmicks including claiming projects undertaken by other partners, as theirs. This gives room for the misappropriation of counterpart funding when received.”

70. By law, “Universal basic education is free and covers books, instructional material, classrooms, furniture and free lunch. In practice however, parents or guardians are required to provide other payments which are levies rather than fees. These levies are unregulated and vary from school to school. Also pupils/students through their PTAs contribute resources toward providing infrastructure such as additional blocks of classrooms. This acts as a disincentive to student enrollment and attendance thereby defeating the purpose of the Act. There is sometimes no proper accounting for some of these levies. There are also allegations of conflict of interest among officers of those committees and associations, who sometimes either serve as the contractors for the projects or have vested interests in the appointment of such contractors.”

71. **Operationalization of the anticorruption systems in the World Bank Program.** Based on these findings of this assessment, it seems that to best mitigate the risks of corruption under the program, two mitigating measures are called for:

   (a) The creation of an ACTU at UBEC in compliance with regulatory requirements (that is, instructions from the Head of Services Office)9 and a review by the ACTU of UBEC

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9 Circular No. OHCSF/MSO/192/94 of 02/10/01
systems to be submitted to the ICPC and resulting in recommendations to mitigate identified vulnerabilities. Such recommendations will have to be addressed by UBEC.

(b) The strengthening of grievance redress mechanisms at the federal, state, and school levels, to handle allegations of corruption by contractors, staff, and pupils/parents.

72. Beyond those specific provisions on anticorruption, other systemic reforms should also contribute to mitigate the risk of corruption. The TUGAR, ICPC, and BPP risk assessment highlights the need to:

- Strengthen financial management at state level;
- Ensure transparency of procurement process at state level;
- Introduce “automated synchronization of data collection and retention between SUBEBs and UBEC;”
- Strengthen project monitoring and register assets: “An automated monitoring system such as an electronic checklist of all projects being carried out in the state and such projects being tied to financial sources and project delivery milestones would reduce the risk of duplication.”
- Disclose audit reports and information on “budget, cost, deliverables and timelines;” and
- Adopt zero-based budgeting.

73. These recommendations should be given full consideration and acted upon collectively by UBEC and its state-level counterparts.

V. Program Integrated Fiduciary Risk Assessment

74. The integrated assessment concludes that the UBE Program Integrated Fiduciary Systems have the capabilities to provide reasonable assurance that the financing proceeds under the Program will be used, generally, for intended purposes. The assessment noted the existence of significant gaps and weaknesses in these systems which will need to be addressed in the PAP as part of Program implementation. There are opportunities to be harnessed, based on prevailing legal framework on anticorruption that the Program can take advantage of. With the existing gaps, the overall risks of the Program for an integrated fiduciary perspective is ‘high’, thus affecting the expected results against the program objectives. However, based on the findings of the assessment, a PAP has been developed, and whose implementation will support the mitigation of the identified risks during the life of the Program. Monitoring the implementation of the PAP and refining the operational modalities as and when required will be critical to managing the risks during program life.

VI. Program Action Plan

75. The PAP (see annex 8) covers the entire spectrum of the integrated fiduciary areas requiring management, monitoring, and control under the Program during the period 2018–2022. At quarterly intervals, a monitoring report on the status of implementation of the actions will
need to be provided by the FME/UBEC for discussion, and strategic and technical directions and guidance provided.

VII. Implementation Support

76. The Nigeria country office has a team of integrated fiduciary staff—Procurement, Financial Management, and Governance—that will, as part of the program task team, monitor the implementation of the Program’s integrated fiduciary aspects, and in particular, the status of implementation of the ‘action plan’. This will be carried out not only half-yearly during implementation support missions, but also between missions, at least for the first year of Program implementation. The team will provide hands-on support to the UBEC teams dealing with procurement, financial management, and to the ACTU as well as to other organs (like Servicom) supporting the mitigation of fraud and corruption. In carrying out its implementation support, the World Bank team will also review the Program’s financial reports and their conformance with applicable standards.