

Inception Report on the State and Local Government Programme: Nigeria

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Contents

Section 1	Executive Summary
Section 2	The Context
Section 3	The Need for Dialogue at Federal Level
Section 4	International Experience and Alternative Approaches
Section 5	Are We Working In Reformist States ?
Section 6	Principles, Approach and SLGP Project Design
Section 7	Programme Management and the Role of the Consultants
Section 8	Performance and Achievement
Section 9	Lessons From Experience So Far
Section 10	Prospects for Reform and Evaluating Success
Section 11	Conclusions and the Way Ahead

1.0 Executive Summary

The Context (see Section 2)

1.1 The context within which the SLGP is being implemented remains difficult. Nigeria is in a state of transition to a more democratic dispensation but politics remains based around patronage and personalities. Improvements in Governance will take a long time and effective intervention at state level requires political support from the state government and demand for reform from civil society.

The Need for Dialogue at Federal Level (see Section 3)

1.2 DFIDs country strategy aims to promote reform at Federal level as well as providing support to four state governments that are committed to reform. In practice, SLGP has focused mainly at the state level although initial contacts have been made with Federal Ministries. The interface between the Federal and the State Governments is critical to the outcome of the project.

1.3 International experience is that Governance projects require strong political leadership and congruence between donor and partner objectives. Demand for reform from civil society

and the private sector is needed as well as relying on bureaucratic reforms and change champions within state governments.

International Experience and Alternative Approaches (see Section 4)

1.4 There is an increasing trend among donors to use incentive based approaches for institutional reform including using a competitive process to gain access to resources. This is being done by the World Bank and the EU at state level in Nigeria and it will be important to compare their experience with that gained under the SLGP project .

Are We Working In Reformist States? (see Section 5)

1.5 The SLGP aimed to identify and work with pro poor and reformist Governments but the evidence that it has succeeded in doing so is limited. Success will ultimately be dependent on the political commitment of the State Governor but in both Benue and Jigawa many of the key problems including lack of spending controls and off budget spending are yet to be addressed. However there are some positive areas and the project should be seen as testing political commitment by challenging politicians to face up to the reality of wasted resources and poor services.

Principles, Approach and SLGP Project Design (see Section 6)

1.6 The design and appraisal of the SLGP allowed for a wide range of Governance issues to be addressed and for the involvement of several stakeholders including the state government, civil society and local government. The review team endorses the SLGP decision to concentrate on state government in order to build ownership.

1.7 It would seem sensible for state reform plans to be more focused and to concentrate on public service reform, public expenditure management and procurement at state levels. Piloting of activities in sectors and at local government level might also be appropriate though capacity building should take place mainly through separate sectoral programmes. A more effective mechanism is needed to coordinate SLGP and sectoral activities (see section 6)

1.8 There was a strong emphasis in SLGP on facilitation to establish local ownership with the consultants taking on a rather passive role. A more pro-active stance is now warranted involving engagement with SRTs to help formulate reform plans and reform components.

Programme Management and the Role of the Consultants (see Section 7)

1.9 DFID Nigeria chose to implement the SLGP using a consortium of consultants to cover programme management , technical diagnostic work and the implementation of institutional reforms. In retrospect it might have been advisable to split the contract into two components: firstly a management and facilitation role and secondly the design and delivery of the programme itself. The current contract could usefully be reviewed. (see section 7.3 and 7.4)

1.10 The State Reform Teams (SRTs) are positive about the role played by SLGP but would like to see more openness about the way decisions are made and resources are used. There is also an interest in using locally based Nigerian consultants that needs to be addressed.

Performance and Achievement (see Section 8)

1.11 Significant achievements have been made by both Benue and Jigawa states against the objectives set out in the original log frame. Diagnostic and scoping studies have taken place and the SRTs have prepared reform action plans.

1.12 The action plans in both Benue and Jigawa need further work and review team comments need to be fed back and discussed with both SRTs. In Benue the plan lacks coherence and there are too many separate items some of which are not consistent with the wider objectives. Reform components are uncoded and remain to be fully articulated. In Jigawa the plan has clear strategic objectives and is focused on fewer areas. But there are gaps eg on public service reform and the rationale of some of the projects needs to be clearer (see paras 8.9-8.10).

1.13 Reform teams have been successfully established in both states. In Benue there is a need to ensure that communication of the reform message to the civil service and politicians is more effective and that the membership of the reform team is broadened. In both states a mechanism needs to be developed to consult and involve civil society on a more systematic basis (see paras 8.15-8.16)

Lessons of Experience (see Section 9)

1.14 The process of picking reformist states has been more difficult than anticipated. In retrospect it would have been useful to undertake a more detailed political analysis and to have targetted states with a substantial and established civil society and private sector. More attention may be needed in Benue and Jigawa to help build up the demand for reform and support may be required to build the capability of civil society and the State Assembly.

1.15 The difficulties of working at local government level are substantial and the project took the right decision to concentrate on the state government. Increasing capability at this level will also allow action to be taken to pilot new initiatives and to train staff at local level. This will allow SLGP to have an impact on local government without overstretching itself.

1.16 It is important to involve senior public servants in the reform programme from the outset. Reform programmes in other countries have been run by Ministries of Finance and Ministries of Public service. These need to be closely involved in implementing the SLGP.

The use of logframes needs to be reconsidered. It is suggested that log frames be drawn up for the overall reform plan in each state and possibly also for the individual reform components. The approach needs to be agreed by DFID(Nigeria) , SLGP and the SRTs.

Prospects for Reform and Evaluating Success (see Section 10)

1.17 The review confirms that the SLGP remains a medium to high-risk project. The main constraint is the need for political support and to overcome the resistance of politicians and senior civil servants to reform. Benchmarks are needed against which to monitor progress. These should include production of plans to reduce poverty and early action to improve the budgeting process and to reform the civil service.

Conclusions and the Way Ahead

1.18 Both states are above the threshold to justify further support. Jigawa is closest to being ready for implementation but Benue is not sufficiently ready to proceed to implementation at the present time. DFID Nigeria needs to work with the Benue team to address the shortcomings identified.

1.19 Important changes are needed to the SLGP including narrowing the reform agenda to focus particularly on the reform of the public service and on public expenditure management. Steps are also required to ensure that lessons are passed to the states of Ekiti and Enugu. Most importantly there is a need to reorientate the project to ensure there is a balance between facilitation and technical input for the design of the reform programmes. More use of Nigerian consultants also needs to be considered.

1.20 SLGP needs to be placed in a wider context . DFID (Nigeria) should explain the DFID agenda more fully to the state governments and the expectations in terms of poverty elimination policies and institutional reform. It will be important to set out and agree some deliverables with the state governments for the next two years. However the risks are high and DFID Nigeria also needs to have more realistic expectations about what can be achieved and to be prepared for possible failure.

1.21 There needs to be more engagement at Federal level where dialogue could also promote useful policy reforms and the introduction of performance incentive grants which could encourage institutional change at state level.

Main Report

2.0 The Context

2.1 Nigeria has recently emerged from a long period of military rule and following the election won by President Obasanjo there has been a gradual transition to a more democratic dispensation. This process is continuing. Senior military figures have been replaced and there appears to be little appetite at present for a return to military rule. But the earlier promise remains largely unfulfilled. Economic reform has been stalled following the suspension of the IMF agreement; there has been only limited effort to tackle corruption; and there appears to be little momentum behind efforts to develop a PRSP.

2.2 Nevertheless Nigeria is progressing toward the next Presidential and State elections (to be held by May April 2003 at the latest) and a further consolidation of democracy may open up possibilities in the post election period. The proximity of the next election will make it harder to engage with Federal and State Governments in the coming months and DFID should not expect to make rapid progress in implementing its programmes during this time. It is possible that programmes such as SLGP will face a period of inertia particularly where major policy decisions and commitments are required by State Governors.

2.3 As in most of the rest of Africa, the political system is based around patronage and personalities. Election expenses are recovered through access to state resources and contracts and political supporters are rewarded through appointments to positions of authority. At the time of the review there were six political parties although there was a proposal to register a larger number currently before INEC. Politics remains personalized and driven by group interests rather than issues based. In the medium term, as civil society grows this may force parties to become more focused on issues and allow the development of class based alliances between different social groups. The biggest risk to stability in the short run is the emergence of political violence by organized groups of disaffected youth. If this is combined with increased friction between the political parties it could ignite wider disturbances.

2.4 The political context has profound implications for DFID Nigeria programmes and for the SLGP in particular. Intervention at state level is posited on the assumption that there will be political support from within the state government, and political demand from civil society for reform. Without this it is unlikely that major policy and institutional change will take place. This question is examined in the context of the individual states (see section 5 below and annexes) but the nature of the national political system inevitably shapes state level politics. Recent work by DFID and others¹ indicates the importance of understanding political incentives and aligning interventions by donors with political interests. Where this is not achievable strategies are needed to influence decision makers through supporting change champions, injecting new ideas and building up civil society. Facilitating reform requires a sophisticated understanding of the local political leadership and political capability in each of the states where we are currently working.

2.5 In Nigeria it is difficult to discern incentives to adopt pro poor policy and to introduce economic policy and Governance reforms. The influx of oil revenue into the federation account reduces the pressure on government to raise revenue through domestic taxation. This makes it harder for a social contract based on a link between taxation and representation to emerge. There are economic pressures from rising external debt and (currently) lower oil prices but this has not been sufficient so far to prompt a rapprochement with the IMF. The nascent party system and the political process itself is not at the stage of development that will easily allow the emergence of a pro poor agenda. Ordinary people, particularly the poor, are sidelined from the political process. Expectations of what the government can do (and therefore the demand for change) are presently low. Party politics is based upon the ability to deliver votes – not services. Much depends on the extent to which civil society, including the private sector, can develop sufficiently to create more demand for change and to articulate the case for greater focus on poverty elimination in the delivery of public services. The ability of government to respond appropriately to demand from civil society also needs to be strengthened.

2.6 Nigerians also believe that the political environment is not conducive to the development of pro poor policy. Generally there are low expectations of Government in terms of service delivery and most see Government as a business to be invested in for personal gain. Most State Governors are viewed as complicit with this system and that there are only rare exceptions to this.² Recent surveys by Afrobarometer suggest that there is strong support nationally for democracy (71% of those surveyed) but a concern that Government does not listen or look after the interests of the people (90% of respondents were negative).

¹ See recent DFID papers and other work by Sue Unsworth on political incentives

² SLGP report of a seminar

Clearly any transformation in this situation is likely to take a long time and DFID Nigeria should plan interventions such as SLGP accordingly.

2.7 Nigeria is regarded as a borderline LICUS (Low Income Country Under Stress) by the World Bank and most donors regard it as a “poor performer”. Policies are not well articulated and do not in any case reflect a pro poor agenda and they are not well related to the national budget. Federal policy is not effectively integrated with that of the state and local governments and there are a range of structural constraints that limit the effectiveness of State Governments. These are discussed in section 3 and it is clear more effort will be required at Federal level to address these issues in conjunction with our efforts at state level.

3.0 The Need for Dialogue at Federal Level

3.1 The DFID country strategy was produced in September 2000 and reflected a positive view that the new democratic Government would create opportunities for dialogue and a new determination to address economic reform, to introduce pro poor policy and Governance reforms. DFID’s aim was to focus on reforms of the Federal Government as well as providing support to a few State Governments that were committed to reform. DFID would support the development of State level PRSPs, which would fit within national strategies and the key state institutions. SLGP was later appraised in record time and approved in June 2000 as a major project, which would aim to improve core institutions and systems in four states – Benue, Jigawa, Ekiti, and later, Enugu.

3.2 The SLGP has focused during the Inception Phase on state Government structures. However the interface between the Federal level and the State and Local Governments is critical to the successful outcome of the project. Major structural constraints include:

- a revenue sharing formula which gives most resources to the Federal government whereas the service delivery responsibilities are greatest at State and local level.
- an overlap of responsibilities which means that the Federal, State and Local Governments all provide resources for basic services such as primary health and education. These efforts are often not well planned and coordinated.
- the existence of a nationally linked set of public sector pay scales. Pay increases for Federal Government staff automatically filter down to lower levels despite vastly different local labour market situations. This causes major problems with expanding wage bills at State level and crowds out spending on services.
- the extreme dependence of State Governments on nationally generated revenues and financial transfers from the center. The failure to generate local taxes reduces accountability of the State Governments.
- the linkage between Federal and State Government budgets and accounting systems. States are informed of the likely level of resource transfers and can anticipate these in their own budgets but actual resource transfers always differ in practice.

3.3 There is a general failure to establish clear roles and effective relationships between the different tiers of Government in Nigeria. These issues are not being addressed directly

through the SLGP, yet are critical to the success or failure of state level reforms. DFID Nigeria has made initial contact with the Director Of Budget and has established contacts with other senior officials in the Ministry through the work of the economic advisory team. Discussions during the mission confirmed the importance of these issues. However they are also politically sensitive and it is not clear how donors can best engage in dialogue. The World Bank is building contacts with the Director of Budget and the Central Bank which might create a platform for dialogue which could include the bilateral donors. There is specific interest in intergovernmental fiscal relations and in the use of performance related grants or transfers from the Federal to the State Government. DFID Nigeria needs to strengthen its agenda for Federal level reform based on issues of economic governance that address the linkage between Federal and State reform, and the importance of federal reform for the SLGP. There may be opportunities for DFID to work more closely with the Bank and to support their planned study to examine the experience of other Federal States. Greater involvement in Federal issues by SLGP might require additional resources in due course but the review team do not believe that this is necessary at the present time.

Recommendation 1: DFID Nigeria should strengthen its engagement with other donors to promote dialogue with the Federal State about ways to address some of the key constraints on the effectiveness of State Governments and on new transfer systems which might create incentives for improved performance.

3.4 The SLGP includes an influencing component designed to draw out lessons and disseminate them to the Federal Government and other States. Formal and informal links were envisaged with the Federal Ministries of Finance, National Planning and Intergovernmental Affairs. The project has established a central unit in Abuja which issues newsletters and retains key documents for ready access and use. This is a useful start and the resource will be valuable to other States. Project management acknowledges that more could be done to engage with the Federal State to support the development of networks that would encourage the sharing of experience and the spread of useful lessons and practice. It has been difficult hitherto to identify a suitable partner at Federal level and initial contacts by the consultants and more recently by Bamidele Oluwu have not been promising. The Ministry of Inter Governmental Affairs is showing little interest so far and has minimal capacity.

3.5 During the mission discussions with the Director of Budget suggested that there was scope for the Federal Ministry of Finance to play a role in establishing and supporting a network designed to share experience and practice in improving public expenditure management (PEM). The Ministry has already undertaken PEM training and is keen to encourage improvements at State level and to help disseminate experience. They are sensitive to the concerns about their role and think that the states should be treated as equal partners with the Federal Ministry taking a back seat.

Recommendation 2 : DFID Nigeria and SLGP needs to become more proactive in engaging with the Federal government to achieve reform that will have a positive impact on the SLGP agenda. DFID (N) should follow up with the Director of Budget and encourage the development of suitable arrangements for sharing results and implementation experience in the field of public expenditure management.

4.0 International Experience and Alternative Approaches To Reforming State Governments

4.1 International experience with Governance projects in the public sector suggests that public sector reform is both a political and technical challenge and they only succeed where there is congruence between donor and partner objectives. Bureaucratic reforms which focus on the internal rules of Government are usually not enough to achieve reform. It is increasingly acknowledged that reforms require both a supply side effort to provide technical assistance and international best practice to change the internal rules and constraints in the public sector along with demands for reform from core constituencies both within and outside government. In practice this means a commitment from government to reform and a willingness and capacity to absorb and utilize technical assistance effectively coupled with initiatives to strengthen society's demand for reform. Key drivers for change are reformers in the bureaucracy, civil society and community action as well as competition from the private sector.³

4.2 International experience indicates that public sector reform is most successful when there is high-level political support for reform; when a 'crisis' affects the country and the ruling elite; and when reform serves the interest of core constituencies within government, the private sector, and civil society. DFID experience is consistent with this. Experience in five Anglophone African countries has highlighted the difficulty of gaining and maintaining political support and that the most successful efforts at public service reform (eg in Uganda and Tanzania) have been preceded by Government led efforts to diagnose problems in the public service. These programmes were also developed in response to a wider crises (eg economic pressure in Tanzania and the perceived inefficiency of the public service in Uganda). Another important conclusion is that comprehensive Governance reforms are relatively rare. In many countries it has been necessary to be selective and opportunistic and to look for entry points. These have often been around: accountability for public expenditures; decentralization and service delivery; and e Government.⁴

4.3 There is also an increasing trend by some donors to use incentive based approaches where there is a competitive process to gain access to resources and also to adopt a more flexible approach to the provision of technical assistance, which allows partners more control. Examples include the performance improvement fund in Tanzania which can provide financial resources to Government Departments if they produce a convincing strategic plan for performance and efficiency improvements. The resources can be used to contract expertise or to provide other necessary inputs required to deliver the plan. Untying and Pooling of technical assistance has also become more common (eg in Uganda and Cameroon Governance projects) although some donors continue to have difficulties with this.

4.4 There are some important points arising from this experience of relevance to the SLGP which should be considered further as DFID(N) moves toward the implementation phase. Specifically :

- efforts to develop political support are likely to be crucial to reform efforts and relying on bureaucratic reform alone may be risky.

³ See for example Reforming Public Institutions and Strengthening Governance World Bank April 2002

⁴ See World Bank reference op cit

- states with a stronger civil society and private sector will have more potential for reform and if civil society is still nascent more effort will be needed to build up its capacity.
- making progress on all fronts may be difficult. We may need to be selective and more opportunistic in our reform efforts at state level, particularly in states where comprehensive reform is not immediately possible because of political or institutional constraints.
- we should look for ways making arrangements for the provision of support more “demand-led “ allowing the partner States to have a bigger role in making decisions about the way expertise is provided and from where it is sourced .

4.5 In Nigeria the World Bank and the EU are also developing proposals for support to State Governments. The SLGP has been sharing experience gained with these two donors and has influenced the development of the EU project and also to a lesser extent that of the World Bank. The World Bank is planning a project involving the establishment of a fund of around US\$ 50 million which will be available to all states across Nigeria (excluding those supported by DFID and the EU) on a competitive basis. The most convincing reform proposals will receive support for diagnostic work and around US\$ 5-8 million each for implementation. There is a menu of possible activities and it is anticipated that these proposals will address issues such as PEM , human resource management and the organization of the civil service. This arrangement will lead to the self selection of States rather than prior selection by the donor. In the case of the EU there is a plan to provide technical assistance to reform basic systems and if certain conditions are met (eg timely production of accurate accounts) budget support could be made available. It will be important for DFID Nigeria to coordinate activities to prevent any potential overlap and to ensure that there is effective learning from these different approaches.

Recommendation 3 : DFID Nigeria should establish a suitable arrangement with other donors working at state level in order to effectively coordinate their activities and to compare and contrast the results from their different approaches.

4.6 The Inception Review Team was also asked to comment on the possible use of the LICUS approach. This has still to be fully defined but the paper by David Dollar proposes that in poorly performing countries donors should focus on improving policies in a few areas where there is the possibility of rapid reforms and provide services for poor people if necessary outside Government. Controversially the Bank has proposed that this could be done through an independent service authority. Discussions with the Director of Budget suggested that it might be possible to make progress with policy reform in areas such as primary education using a performance based grant system to create incentives for states to develop sound policies.

4.7 Investigations by the team suggest it would also be possible to work through semi autonomous state agencies to deliver services. This would face formidable problems as it could reduce the pressure on Federal and State Government to reform and it runs the risk of creating unsustainable parallel structures. Nigeria is littered with such agencies. Nevertheless there are some examples of agencies which have operated reasonably effectively for a period in the past (the Water Resources and Engineering parastatal in Jigawa was mentioned to the

team) and this approach could be considered as an interim solution pending progress with broader public sector reform. Any Agencies would also have to avoid the creation of parallel structures and work with the support of the line Ministry so that there was a means to use the Agencies as a vehicle to enhance institutional effectiveness of Government.

Recommendation 4 : DFID Nigeria should consider ways of engaging Federal Government in policy dialogue about improving the available mechanisms and institutions for service delivery. The SLGP could also provide support where appropriate in support of some of the key public agencies involved in service provision.

5.0 Are We Working In Reformist States?

5.1 The SLGP aimed to establish pro poor and effective Government in selected states. Selection criteria included poverty levels, the existence of reformist Governments and the presence of a reform constituency made up of politicians, civil servants and civil society organisations. In practice poverty was regarded as endemic in Benue and Jigawa and the selection was based on interest shown in tackling poverty, evidence of efforts so far and the potential for having an impact on the IDTs. Benue was automatically included on the strength of earlier work by DFID and there was no formal selection process. The project document stated that the required conditions existed in the two initial partner states of Benue and Jigawa. Ekiti and Enugu were selected later for inclusion in the project.

5.2 The evidence of the reformist nature of the two states visited by the team is scant. This could indicate that conditions in the states have changed since the original assessment was undertaken, or that the propensity to reform has diminished in the run-up to the election. Equally, DFID's initial assessment of the potential for reform may have been flawed. Whatever the reason, the changed circumstance highlights the importance of regular assessments of the political and bureaucratic capability in each state to promote pro-poor reform. . An initial analysis of the political context in the two states is provided in the annex. This suggests that the main characteristics of the national political system are mirrored in both states. State elections are competitive and turnout has been high but the number of parties is limited and there is little evidence that they are representative of the interests of the poor. There is little prospect of voting influencing politicians toward pro poor agendas in the short term. There has been political violence in Benue state and a prolonged humanitarian crisis has distracted the Governor from longer-term development issues.

Recommendation 6 : Consideration should be given to undertaking more systematic and regular political analysis in the current SLGP states.

5.3 In practice reform will be heavily dependent on the political commitment of the State Governor and of demand for reform from civil society. The recent SLGP political seminar suggested that in practice there might be few reformist state governors and few states where demand for change would be strong. It was suggested that states such as Bauchi and Lagos would be more likely to be reformist. The World Bank also take the view that there are likely to be a few beacon states led by progressive modernizers .

5.4 The evidence collected by the reform team provides a mixed picture. In Benue the team were told by the State Governor that he backed the SLGP and would support any reform

proposals that were put before him. The majority leader was also positive. However the reform team do not appear to have communicated clearly the nature of the reforms being proposed so the level of understanding and commitment of the State Governor is yet to be tested. Exco appeared to have little concept of reform as yet. The Governor had yet to take action to control extra-budgetary spending or to address weaknesses in budgeting and procurement. It will be important for DFID to enter into a dialogue on these issues.

5.5 In Jigawa the team did not meet the State Governor although the speaker of the state assembly was positive about the prospects for reform. However the SLGP political seminar cast doubt on the reformist credentials of the State Governor. Also recent decisions eg to relocate Ministries across the state , disband the Ministry of Finance and to increase the number of Ministries from 7 to 20 Ministries in October 2001 raise serious questions about the commitment to improve the efficiency of public administration. The State Governor still personally approves all spending.

5.6 In judging reform commitment it is also important to review any evidence of specific reform efforts. So far these have also been limited but there are some positive areas:

- there is growing interest in understanding the nature of poverty. In Benue SLGP have undertaken a preliminary analysis and there is a commitment to prepare a poverty reduction strategy. There are prospects that this could be integrated into a revised Benue action plan. In Jigawa successive budget speeches have emphasized poverty alleviation goals.
- there is a recognition of problems caused by overstaffing (in both states staff costs absorb the main proportion of the recurrent budget leaving little for services) and payroll fraud. Jigawa has tried to retrench staff and has introduced payroll checks (the “pay parade”). Benue has introduced a computerized payroll and would like to investigate retrenchment options but the Governor will not implement any schemes until after the election because of the political sensitivity.
- in both states there have been reviews of the structure and staffing of the civil service and there is a recognition of the need to clarify functions and to develop more efficient organization structures. In practice though many of the recommendations made have not been implemented and the number of Ministries have expanded.
- in Jigawa there has been an attempt to reduce the overall budget from around N 50 bill in 2001 to around half that figure in 2002. However, spending targets bear little relation to actual expenditure as the State Governor retains full discretionary powers and there has been no attempt to impose spending ceilings. The budget for 2002 had still not been approved during the inception team visit.

5.7 In considering the prospects for reform it is also important to assess bureaucratic capacity. In both states the civil service suffers from weak management and inadequate poorly implemented systems and the role of the public service seems to be to create the maximum employment opportunities. In such circumstances the incentives for reform in the public service are likely to be limited except in Ministries which are led by individuals with a strong commitment to the ideal of a rules based Government and a professional commitment to improve standards and to “put something back” by achieving reform. In fact the Ministries of Finance in both states were strongly supportive of reform as were some line Ministries (eg the

Ministry of Health and Local Government Commission in Benue). In Jigawa the State Reform Team is mostly composed of very capable senior civil servants who are strongly motivated to push forward with reforms and which appear to have the support of the key line Ministries.

5.8 Overall Benue and Jigawa have yet to demonstrate a strong commitment to reform. However there are some emerging change champions and indications of movement in the right direction. More substantial progress will depend on firmer action by the State Governors in support of reforms developed by the State Reform teams and implemented by the public service. This will require the State Governor and politicians to radically alter their current behavior including delegating approval of all spending proposals to the public service, and avoiding adding arbitrary spending proposals into the budget or allowing off budget spending. It remains to be seen whether this is achievable but this will become apparent during the proposed implementation phase of SLGP. Overall the project should therefore be seen as testing political commitment by challenging politicians to face up to the reality of wasted resources and poor services. But to be successful this will require more accountability especially to Parliament and the public.

6.0 Principles, Approach and SLGP Project Design

6.1 The design and appraisal of the SLGP was based on a wide ranging analysis of governance capabilities in State Governments and it deliberately allowed the scope for partners to determine their own priorities. This had the advantage of allowing considerable flexibility for partners to address a range of Governance problems and to vary their approach according to the problems in their state.

6.2 The SLGP approach effectively led to a wide range of governance issues being considered in each state simultaneously and to that extent it aimed to go beyond the scope of conventional public sector reform programmes. The project could potentially be used to strengthen State Assemblies, civil society and the private sector as well as improving the effectiveness of the civil service and public expenditure management. This is an ambitious approach, which potentially increases the breadth of possible activities and stakeholders in each state and makes considerable demands on the states and the SLGP consultants responsible for implementation.

6.3 In practice the consultants made a decision early in the inception phase to concentrate on the State Government rather than other actors and to try and work with civil society and local government through the State Government. This was because of the importance of securing ownership of the reforms by the State and avoiding clashes between stakeholders. The review team endorse this approach as consistent with the overall project objectives and as the only practical solution in the circumstances.

6.4 The breadth of the original project logframe and memorandum allowed SLGP to develop comprehensive Governance reform programmes for each state. This has its merits but there is danger that such programmes could overstretch the limited implementation capacity that is likely to be available. Priorities need to be discussed and agreed with the State reform teams but it would seem sensible for the reform plans in each state to focus on pro poor policy, civil service reform, public expenditure management and procurement.

6.5 The SLGP aimed to adopt a process approach which would allow States to develop their own programmes within a broad framework. Paradoxically the logical framework is quite prescriptive and though this was intended as a guide it has inevitably been seen as giving a strong indication of the areas of possible activity. In order not to undermine ownership, the document was not made available to the SRT in Benue until recently which understandably created concerns that there was a “hidden agenda”. Ideally DFID Nigeria or SLGP should have been open from the beginning about its analysis of the situation, expectations, and agenda for reform.

6.6 The emphasis on the process approach grew out of a concern to enhance local ownership and to promote technical solutions which fitted the local context rather than being blueprinted by pre conceived donor driven ideas. This was supported by recent evaluations by DFID and donors. In practice the approach adopted by the consultants has placed a strong emphasis on facilitating a locally led problem analysis and action planning process (see annexes). The SLG managers sought to indirectly influence the content of the action plan by encouraging the SRTs to draw on international comparative experience of similar reform programmes. In practice the SRTs in both Benue and Jigawa had access to external experience and best practice through diagnostic studies undertaken by short-term external consultants.

6.7 The approach to facilitation has been strongly influenced by the desire to establish local ownership of the reform. Facilitation has therefore been at the more passive end of the scale. A more strongly pro-active facilitation may have speeded up progress and the take up of international experience but it may also have jeopardised long term sustainability. Other similar programmes (Tanzania, Uganda, Ghana) have used resident advisers in a more pro-active way both to feed in international experience and to help Government to design reforms and the programme components as well as facilitate discussions with stakeholders. Now that initial action plans have been formulated and trust has been built up it should be possible to move in this direction. Of course this approach would have to be acceptable to the States concerned and the consultants would need to be aware of the sensitivities involved and of the possibility that their actions were perceived as interventionist. It is consistent with the current thinking within the SLGP.

Recommendation 7: SLGP programme managers should play a more active role by working with SRTs and other stakeholders to help formulate the state reform plans and individual reform components. This may require alteration to the terms of reference for their assignments.

6.8 The SLGP project document said little about linkages between public sector reform and the impact of those system wide efforts in areas such as Education, Health and Water resources. In practice the successful outcome of the SLGP system wide reforms is critical to sectoral reforms. This was recognised early on by DFID Nigeria but the SRTs were encouraged to develop their action plans first before these linkages were further explored. Self evidently the reform of State Government Ministries and Agencies and systems for PEM, human resource management and procurement will impact directly on sectoral institutions. The SLGP is in effect providing an entry point for tackling these cross cutting issues and line Ministries will need to implement some of the reforms. As the programmes move toward implementation it will be necessary to ensure effective coordination between SLGP and the sectoral programmes both within the state Government and DFID.

Recommendation 8: An effective coordination mechanism should be established at State level to ensure that sector representatives are fully involved in the implementation of the SLGP.

6.9 Not only does SLGP provide a point of entry for reform within sectoral ministries in each state, it is also an important point of entry for DFID's sectoral reform initiatives in health, justice, and other programmes. SLGP can provide a basis of reform in structures and systems in DFID target ministries that will enable DFID's sectoral programmes to be more efficient and effective. It is important that the linkage between SLGP and programmes such as Access to Justice and PATHS is acknowledged, and reform activities in each programme are carefully coordinated. DFID Nigeria has developed Principles of Partnership to guide DFID's engagement at state level and to ensure coordination of effort. The Principles of Partnership decentralizes responsibility for programme implementation to the state level with an enhanced role for DFID's State Coordinators. It will be important for these individuals to ensure that all DFID activities in each state are effectively coordinated and that discussion and review of the cross cutting agenda which is relevant both to the SLGP and the sector activities takes place on a regular basis.

Recommendation 9: DFID Nigeria should implement an effective coordination mechanism based on the Principles of Partnership to ensure greater synergy between SLGP and sectoral programmes.

7.0 Programme Management and the Role of the Consultants

7.1 DFID Nigeria have chosen to implement the SLGP using a consortium of consultants led by HTS Development/PE. This has the advantage of providing in country project management and direct support to each of the State Reform Teams. In country personnel can help define and articulate technical inputs required and then source these through the consultants that are associated with HTS Development/PE. This provides access to high quality international consultants familiar with recent international experience. Another major advantage of the arrangement is that it reduces the administrative burden on the DFID office.

7.2 In retrospect it might have been advisable to split the contract into two areas: firstly, a management and facilitation role, and secondly, the delivery of specific technical consultancy inputs for the design and delivery of the reform programme itself. At present HTS Development/PE are responsible for supporting the reform team both to undertake the diagnostic work and preparation of the action plan and to help deliver its implementation. There is an in built incentive to automatically draw on the associates involved in the consultancy contract rather than to consider other alternatives and the consultants involved in the diagnostic phase will also tend to design proposals which suit the range of inputs that they are able to provide. Another problem is the difficulty in identifying and separating out the specific costs associated with SLGP management costs from the programme costs.

7.3 Discussions with the Benue and Jigawa reform team indicated that there was a strong interest in increasing the use being made of local consultants in order to build local capacity. Some concern was also expressed about maintaining continuity, which was difficult to do when consultancy inputs were intermittent and short term. It was felt that there would be value in

systematically assessing the local resource and making greater use of this especially where the task was to revive existing systems and to carry out basic training. The value of international consultants was widely recognised because of the international experience which they could bring and it was also acknowledged that the HTS Development/PE had used local consultants on several assignments. However the reform teams would like to have more systematic effort to identify and assess local capacity. DFID Nigeria is currently developing a proposal to establish a local panel of experts to provide quality assured local consultants for all DFID's programmes including SLGP. In consultation with the Inception Review team, HTS Development/PE expressed their support for this initiative.

7.4 The Benue and Jigawa reform teams were positive about the role played by the SLGP programme managers but would also like to see more openness about the resources that are available for the project and ideally more flexibility in how these can be used. It was acknowledged that decisions about resources needed to be made jointly with the consultants and DFID Nigeria. Neither team expressed a desire to manage the resources directly but there was an interest in being more involved in planning the overall utilisation of funds including decisions on funding specific activities. These issues are examined in more depth in annex where some specific recommendations are made on how to improve the management of the contract and hopefully to achieve better value for money.

Recommendation 10 : DFID Nigeria should review the current contract with HTS Development /PE and consider how improvements can be made to the structure of the budget and what action needs to be taken to meet the concerns raised by the reform teams about openness, flexibility and the use of local consultants (see also annex)

8.0 Performance and Achievement

8.1 The original project document set out indicative targets for the project period recognising that these would be re-examined in the context of each state. By the end of the inception phase it was envisaged that there would be:

- a completed poverty analysis with the priorities of the poor identified and the production of a poverty reduction strategy;
- agreed action plans by state and local governments for the reform of the public service and rejuvenation of basic Governance systems including accounting, auditing and legislative scrutiny;
- comprehensive budget systems established at state and local government level

8.2 In assessing progress the inception team have been asked to focus on the first two items and particularly to assess the quality of the action plans prepared by Benue and Jigawa. The third item was not realistic or appropriate for an inception phase, as any improvements in budgeting will need to await the implementation phase of the reform programme.

8.3 Progress has been assessed in detail in annexes and only a brief summary is provided here. Significant achievements have been made in both states against the original logframe targets in most of the key areas. In both states there has been effective use of the radio

media to publicise the reforms and to begin to develop interaction with the public about service delivery issues. There has been diagnostic and scoping studies in areas identified as high priority. These include poverty and well-being, PEM and human resource management, information systems and environment in Benue. In Jigawa there has been several interrelated reports on budgeting, planning and PEM, Accounts training, review of the role of the Millennium Village Commission in retiring civil servants and the environment.

8.4 Diagnostic work has been carried out as planned. The depth and quality of the work and of the consultants provided has varied but has generally been of an acceptable standard and the reform teams in both states have appreciated the input. In Jigawa the consultancy studies have been effectively utilised to develop understanding of the problems and to define the action plans. In Benue there is less evidence that the reports have been fully absorbed by all of the SRT and other important stakeholders including the Ministry of Finance claimed not to have seen the reports.

Degree of Poverty Focus

8.5 In Benue the SLGP has supported an initial poverty analysis and the SRT have committed to establish a Steering Committee which will organize the preparation of a PRSP. The Steering Committee will be housed in the Planning Commission but will involve a wide range of stakeholders. The detailed work plan remains to be worked out but there will be a need for more detailed analysis of the nature of poverty. It is unclear how this work will feed into the state planning process but the Benue Action Plan is to be reviewed which will create an opportunity to develop a more poverty focused approach. The challenge will be to ensure that the PRSP is fully integrated within a revised Benue Action Plan.

8.6 In Jigawa the commitment to prepare a PRSP is less clear but some initial survey work is underway funded by DFID to assess the development needs and priorities. The Directorate of Budget is preparing a 10 year development plan with UNDP assistance and this may create an opportunity to develop a more poverty focussed policy framework. The separate DFID support for poverty monitoring is also expected to feed into this.

Assessment of the Action Plans

8.7 Both States presented action plans to the inception teams as requested. In Jigawa the plan has been approved by Exco. SLGP has therefore managed to achieve the main goal of the inception phase and it is clear that these reform proposals are strongly owned by the reform teams involved. In assessing the quality and content of the proposals we used the following criteria:

- clarity of strategic objectives
- comprehensiveness and alignment of the plan with the major problems and constraints
- coherence of the overall programme
- degree of prioritisation and sequencing
- affordability and resource costs
- consistency with implementation capacity

8.8 A detailed assessment of the programmes is provided in annexes. Key points in relation to Benue are set out below. All of these were discussed with the reform team who reacted positively to all the points made:

- the need for a clearer statement of strategic objectives and overall reform vision. The work plans cover inputs and outputs rather than outcomes.
- there is good coverage of most of the key areas but detailed plans for the individual reform components remain to be worked out.
- Some areas such as rationalizing functions of Ministries, overstaffing and retrenchment, and procurement need more attention. These aspects could be included under the HR component which could be developed as a civil service reform programme.
- the plan lacks coherence. There are 12 separate items listed in the second phase and their interrelationship is unclear. Some components do not appear consistent with the SLGP strategic objectives (eg development of solid waste management systems, environment centre, cultural and traditional affairs centre; vigilante groups) and to have limited potential for directly improving the effectiveness of the state.
- the proposed programmes are ambitious. More focus and prioritisation could ease implementation and lead to faster progress. Sequencing has been attempted but may need more consideration as detailed plans for each component emerge.
- the programmes have not been costed but are likely to exceed the resources available in the SLGP and the state budget. A budget consistent with the maximum financial envelope needs to be prepared.
- management and implementation of the action plans needs attention. A management structure with responsibilities assigned to line Ministries is likely to be needed. At present most of the action rests with the SRT which does not have the capacity to implement the programme.

Recommendation 11 : DFID Nigeria should feedback the assessments of the action plan by the inception team and work closely with the SRT and SLGP programme coordinator to revise and refine the action plans.

8.9 The inception team also reviewed the Jigawa plan using the same criteria. Once again the comments were discussed openly with the SRT and they were received positively. The key points are:

- the strategic objectives of the Jigawa action plan were clearly set out and were broadly consistent with the SLGP. The action plan is focussed around a few areas
- the critical problem areas are covered in the plan and proposals for PEM have been developed in some detail with the help of the consultants. This programme component could be started once the overall plan is finalised and agreed with DFID.

- The proposed interventions to strengthen the civil service are limited and do not directly address all the major problems being faced. Performance management is addressed but
- programmes to rationalise Ministries and Agencies , address payroll fraud and overstaffing need to be included as does the area of procurement. This is an important entry point as there is strong interest from the Governor in addressing financial losses on the payroll and dealing with overstaffing.
- the rationale for including some components needs clarification eg development of environment action plan, the Millenium Village Commission and civil society capacity building. These appear to be specific and separate projects in their own right and if retained they need to be integrated more effectively with the broader reform programme. But their inclusion in the programme should be reviewed.
- The MVC proposal is problematic. It is unlikely to be successful and would be better viewed as an entry point for reviewing options for dealing with overstaffing issues rather than as a basis for testing performance management systems in a failing parastatal.
- the objective of the service delivery component is unclear and could usefully be rethought. One option would be to develop a programme of service delivery surveys and to use this to formulate service targets which could be built into strategic plans and performance management systems in the civil service. This could also provide a better focus for the civil society component which will otherwise be a stand alone activity.
- the plan has been costed and the main proportion of the resources would go to PEM with much less being spent on other areas such as civil service reform.
- implementation is to be undertaken by teams set up to deliver individual programme components. These would be based in line Ministries and would draw on external consultants as required.

8.10 The Jigawa plan is further advanced than the Benue action plan but it also requires more work before finalisation. The SRT acknowledged all of these points and are ready to address the concerns raised. The gap in relation to civil service reform was recognised but it had been assumed that these would be addressed separately using the states own resources. Even if that is the case this area is integral to the overall reform and should be included as part of the action plan. This will avoid any tendency to focus only on those areas to be funded by DFID.

Recommendation 12 : The SRTs in Benue and Jigawa are urged to consider the comments by the inception team and to refine their proposed action plans taking into account the likely budget available from the state and from within SLGP. The revised plan should then be presented to DFID.

The Effectiveness of the Strategic Reform Teams

8.11 SRTs have been successfully established in both states and State Governments have voted budgets to support their activities. The States have also drawn up legislation which will give the reform team a legal basis and institutionalise their role with the aim of ensuring that

reform activities can be sustained even if there is a change in political leadership. These are all positive developments but they will be undermined unless the political will to reform is present.

8.12 The effectiveness of the SRTs depends on their ability to articulate and communicate the reform vision and to build a constituency of reformers both at the political level and within the civil service. In turn this requires strong leadership, a representative and influential membership of change champions within the reform team and an ability to absorb lessons of experience. The annex sets out the specifics of the situation in the two states visited. Key issues are:

- the need to ensure communication of the reform message;
- ensuring access and influence at a political level and in particular that the reform team can gain the support of the State Governor and ExCO;
- broadening the representation on the reform group and especially how to link more effectively with civil society;
- the need to institutionalise the SRT so that there can be some continuity even if there is a change of political leadership.

8.13 The annexes set out the situation in Benue and Jigawa in detail and make practical recommendations for addressing constraints encountered. In summary the Benue SRT has nine members with a variety of stakeholder including several representatives from the State Government but our discussions confirmed they have yet to fully communicate the reform message and action plan proposals to key stakeholders such as the Ministry of Finance, the acting head of the civil service, the Ministry of Health or to the politicians. Engagement with the executive has been limited despite the obvious interest that exists and in a meeting with Exco there was little substantive discussion of reform issues. Another concern is that neither The Secretary to the State Governor nor any other leading member of Exco plays a direct role in the SRT. Good progress has been made in preparing a draft law setting out the role and functions of the SRT and the National Assembly are expecting this to be passed soon. The majority leaders confirmed that the SRT had briefed the State Assembly on their work and the progress to date.

8.14 In Jigawa the SRT is chaired by the Secretary to the State Governor and has 16 representatives from most of the key Government Ministries and Departments. It also includes a representative of the Jigawa Peoples Congress which is a Government funded NGO designed to act as a coordinator of NGO activity. The strong representation of the civil service on the SRT has made it easier to communicate the reform vision and action plans.

Recommendation 13: DFID Nigeria and SLGP should share with the SRTs the detailed analysis of the situation in Benue and Jigawa state contained in the annexes to the inception report and agree follow up action.

Recommendation 14: The SRTs in Benue and Jigawa are urged to review their membership to ensure that they include individuals that have adequate access to politicians and to the line Ministries that will be responsible for implementing the reforms.

8.15 The inception team met with a number of CSOs during the mission and it was clear that in both Benue and Jigawa most had some knowledge of the SLGP and the reform plans. However there was little evidence of any systematic attempt to consult or involve CSOs in the preparation of the action plans. Benue was planning to involve CSOs closely in the sub Committee to be established to take forward the work on poverty analysis and the PRSP.

8.16 The review team consider that it would be difficult to expand the SRT to include all of the NGOs and CSOs that are operational in both states and there is no obvious representative that could be selected to become a member on behalf of the others. The JPC tries to fulfill this role in Jigawa but it is not clear that other NGOs and CSOs regard it as a legitimate representative.

Recommendation 15 : The SRTs in Benue and Jigawa should develop a suitable mechanism for consulting and involving NGOs and civil society in the design and implementation of the action plans and the individual components. The Benue Sub Committee for the PRSP may be a model for this.

9.0 Lessons from Experience so Far

9.1 “Picking winners” is central to the approach being adopted by the SLGP and when the project was first designed it was assumed that it would be possible to find states where the pre conditions for reform existed. This has proved to be much harder in practice because the attitudes and behavior of past regimes has tended to be continued by the new political leadership. The appetite for change may therefore be more limited than previously thought.

9.2 The lessons from the current project suggest that when states are first selected, it is important to undertake more detailed political analysis at state level as well as looking for states with more active civil society and private sectors. A shift to a “demand led” approach based on competition for access to resources could be another possible response since more reformist states would in effect select themselves.

9.3 Visits to Benue and Jigawa indicated that civil society was relatively undeveloped and that the political system was also unlikely to give much voice to the poor. More attention may therefore be needed to building up the demand for improved use of resources by State Governments and for better public services. An enhanced quality of debate and capability to carry out scrutiny and oversight functions can exert pressure for change as well as enhancing overall accountability. This may require complementary efforts alongside SLGP to help build civil society and community based organisations in the two states. Similarly, external pressure for reform might also be built up by strengthening the capability of the State Assembly . It is interesting to note that in 2003, a civil society unit is to be established in each of the four focal states. This will help to address these issues.

9.4 Another important lesson is the difficulty in trying to work at local government level. The project was originally designed to strengthen both state and local government. However the scale of the problems and the number of local governments make working directly with local government very difficult. The review team believe that the priority for the SLGP is to work at state level and that a more capable State Government will in itself lead directly to improved public services. However state reform plans should aim to strengthen the Ministry or

Department of Local Government in the states to take a lead in piloting new systems and related training activities (for example as planned in both Benue and Jigawa). Carefully targetted and selective efforts to build the capacity of local government could be part of this. Using this approach it should be possible for the SLGP to have an impact on local government. However the project would be overstretching itself to do more than this.

9.5 SRTs have developed into an important interface with the State Government but in Benue they have yet to fully engage with the line Ministries responsible for the activities which are to be the centerpiece of reforms (eg PEM). Developing this interface is likely to be critical to a successful outcome for the SLGP. The constraints encountered suggest that it is important to engage early on with the executive in the State Government by including the senior civil servants from the main line Ministries on the SRT. It could also suggest that alternative structures to the SRT might have been preferred. In other countries the reform programmes are led by the line Ministry responsible for the civil service or through new programme structures set up within Government, In Uganda the public service reform is led by the Ministry of Public Service and in Tanzania by the Civil Service Department. In both countries the Ministry of Finance leads the PEM programme.

9.6 In both states there has been an interest in undertaking activities early in the programme to secure “quick wins” and to demonstrate some visible impact on the effectiveness of the public service. In Benue this has taken the form of equipping a staff development centre for basic computer skills in the local training college (see annexes). Jigawa state would also like to undertake some re equipment activities. In general “quick wins” can be useful where there are obvious bottlenecks and where relatively small changes can produce big gains in performance. Donor funded re equipment can make a contribution to such efforts where this is well targetted . Benue has made a limited investment which is valued by the state and Jigawa could consider some similar limited expenditure where it can be shown that there are immediate and significant benefits. However it is important not to pre-empt the action plans and ideally any such support can be linked to this wider effort.

9.7 Finally, the use of logframes in this project needs to be reconsidered. Process projects require the logframe to be built up with the partner but with an agreed goal and purpose at the outset. Ideally this should be undertaken as part of the preparation phase of the project before funding for implementation is approved. In SLGP both phases were run together. At the present stage it is advisable for the overall logframe to be refined so that it can be used as a tool to fully capture the objectives and planned outputs from the reform plans. This would also be used as the basis for planning, implementation and monitoring in the future. Both states are amenable to this approach. There are several options including : updating the original framework for the overall SLGP project; using a logframe to set out the overall action plan in each state; producing a logframe for each of the major reform programme components in each state eg PEM, public service reform etc. DFID needs to discuss and agree an approach with SLGP and this should then be discussed with the SRTs at the earliest opportunity.

Recommendation 16 : DFID(Nigeria) should discuss with SLGP an approach to applying logframes to the reform plans. This should then be discussed with the reform teams with a view to using the logframe as the basis for the planning and implementation of their reform programmes and the individual components.

10.0 Prospects for Reform and Evaluating Success

10.1 The risks to a successful outcome from the SLGP project were carefully assessed during the original appraisal. They included factors external to the state (changes in oil prices, adverse changes in the relationship with the Federal State, lack of political interest in reform) and factors within the control of the state including (political instability, states not prioritizing the interests of the poor, interest groups blocking moves toward transparency and accountability etc).

10.2 Our assessment validates the original assessment of the project as medium to high risk. If anything the inception review tends to suggest that there is a strong likelihood that interest groups may block the reforms and changes required unless the reform teams in the programme can build up a broad reform constituency by demonstrating the benefits and persuading politicians and civil servants of the advantages.

10.3 The inception review suggests that the main constraint is likely to be the need for political support from the State Governor and overcoming the resistance of politicians and senior civil servants to changes in the status quo. DFID Nigeria's response should be to enhance the incentives for reform by underlining its support for the reform plans and willingness to provide increased levels of development assistance in line with progress against the commitments made. The Ministry of Finance in Benue asked DFID Nigeria to give voice to their concerns and the State Governor expressed an interest in discussing and agreeing the specific reforms needed.

10.4 Beyond this, there are several ways in which the effectiveness of the SLGP can be improved by changes to the way the SRTs and the consultants are currently working. Proposals have been made throughout this report and are also contained in the annexes. DFID Nigeria will need to consider with the SRTs and the SLGP consultants whether to undertake the corrective action proposed.

10.5 In moving toward the implementation phase in Benue and Jigawa it will be important to agree some benchmarks against which progress can be judged. These need to be cast in terms of outputs and outcomes for each of the major reform areas. The inception team suggests that the SRT action plan should seek to set performance indicators for each of the following areas:

- production of a poverty analysis for each state and preparation of a state wide plan which demonstrates a credible set of policies and programmes to reduce poverty.
- a budget which prioritises spending on activities which address the causes of poverty
- early action to improve the budgeting process including for example the adoption of strict spending ceilings, the integration of capital and recurrent budgets, the prevention and sanctioning of off budget spending or ad hoc additions to spending plans
- early action to improve the effectiveness of the civil service including for example; payroll cleaning and imposition of sanctions against fraudulent behaviour; reducing and restructuring Ministries and Agencies; steps to limit and reduce the size of the civil service

- introduction of more transparent and open procurement procedures including for example

11.0 Conclusions and the Way Ahead

11.1 The reform team were asked to assess overall progress, the state of readiness of the reform teams and the quality of the action plans as basis for a decision on whether and when to progress with the implementation of the state reform plans. The inception team considers that both states have achieved a level of momentum in taking forward the SLGP and identifying an agenda for reform. They are above the threshold of progress made to justify continued DFID support. In addition to this there is considerable sunk cost in the inception phase and it will be important to press ahead to full implementation when the conditions are right.

11.2 It is judged that Jigawa state is closest to being ready to proceed to implementation. Some improvements can be made to the action plan but the level of ownership and support for reform is high and the implementation requirements have been thought through. The Jigawa reform team and the civil service have been trying to implement some reform efforts (eg early retirement, payroll cleaning and Ministerial rationalisation) albeit with varying success. DFID Nigeria should therefore be prepared to move rapidly to implement the action plan in that state.

11.3 Benue is not sufficiently ready to proceed to implementation at the present time. More effort is needed to broaden the reform constituency, to communicate the key aspects of the reform programme and to develop a credible reform programme. Changes to the reform team membership could also be contemplated. Both DFID Nigeria and the SLGP consultants need to work more closely with the reform team over the coming months to address these shortcomings. It is anticipated that further progress can be achieved to enable implementation to proceed and that this should be achievable within the coming 3-6 months.

11.4 Important changes to the SLGP are required. The current project has encouraged a broad reform agenda to be adopted and there would be merit in narrowing this down to focus particularly on the reform of the public service and public expenditure management. Focussing on core systems in this way would still enable SLGP to have an impact in other sectors. Secondly, during implementation a higher priority should probably be given to building up the role of the line Ministries with the SRT moving into a role of facilitation, strategic oversight and coordination. Thirdly engagement with other stakeholders such as State Assemblies and civil society needs to continue to take place but this should be linked to the specific reform agenda. The SLGP would be overreaching itself to try and build the capacity of these stakeholders except in relation to their specific role in achieving improved efficiency and effectiveness in the state government (eg the role of the Assemblies and CSOs in monitoring public spending). However the SLGP should help to identify broader capacity building needs which can be addressed through other projects or programmes.

11.5 DFID Nigeria should take steps to ensure that the lessons from the experience in the first two states are fed into Ekiti and Enugu. A particular concern is to ensure that there is a balance between facilitation of the reform team and a more pro-active approach designed to help formulate the reform programmes drawing on international best practice. This may require changes to job descriptions and resident personnel. A second key concern is to exploit the

available opportunities to build up and draw on local capacity by systematically building up local expertise and institutions. A re-orientation of approach is required to enable this.

11.6 More generally, the SLGP needs to be placed in the context of the broader relationship that DFID has with each of the State Governments. It is not a stand alone activity but part of a wider partnership which embraces DFID activities in other sectors. At present these are viewed by both states as separate activities and there is a danger that the relationship is seen in terms of programme or project silos. DFID Nigeria needs to explain more fully the DFID agenda and the expectations in relation to state led poverty elimination policies and institutional reform. It should be made clear that if the partnership deepens and there is substantial progress with reform that this will attract higher levels of assistance which could include financial assistance (eg for retrenchment and other restructuring requirements) where appropriate.

11.7 Overall, the inception team endorses the decision to engage with State Government level and considers that continued effort should be made to support institutional reform at this level. However we should not persist indefinitely and we should be prepared to review the position if there is little sign of substantive change in the states that we have selected for support. It will therefore be important for DFID Nigeria to set out and agree some specific deliverables with the State Governments, which can be included in the action plans and achieved over the next 2 years.

11.8 DFID Nigeria needs to have more realistic expectations about what is going to be achieved. The scale of the problems is such and capacity so constrained that only modest results may be achieved in the early years rather than wholesale transformational change. However in line with experience elsewhere it could be anticipated that reform efforts might deepen and broaden as time goes on. DFID should also be prepared for failure. The risks are high and the necessary political support may not materialise. In such cases we should learn the negative lessons and adjust our selection of states and our approach accordingly.

11.9 Finally the engagement at state level needs to be supported with other efforts. Policy dialogue at Federal level can promote policy reform and the introduction of performance incentives which could encourage institutional change at state level. Options of working outside Government or through autonomous state agencies could also be explored as a way of delivering services for an interim period pending broader institutional reform.

Nigeria Report/15 June 02
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