

**DFID NIGERIA
STATE & LOCAL GOVERNMENT PROGRAMME**

SLGP

**OUTPUT TO PURPOSE REVIEW
SEPTEMBER 2006**

CONTENTS

| | |
|---|----|
| EXECUTIVE SUMMARY | 3 |
| Introduction | 3 |
| Project Scoring | 3 |
| Achievements and Impact | 4 |
| Programme-wide Issues | 5 |
| <i>Issues-Based Projects</i> | 5 |
| <i>Demand side working</i> | 5 |
| <i>Local Government</i> | 6 |
| Recommendations | 6 |
| 1. PROJECT COMPONENTS..... | 8 |
| The Scope of the Review | 8 |
| SEEDS National | 8 |
| NEEDS | 10 |
| Jigawa State | 11 |
| Enugu State | 13 |
| Lagos State | 14 |
| Kano State | 16 |
| Management | 17 |
| 2. PROGRAMME-WIDE ISSUES | 20 |
| Issues-based Projects (IBPs) | 20 |
| Demand side working | 28 |
| Local Government | 29 |
| 3. RECOMMENDATIONS – SLGP | 32 |
| Consolidation – up to April 2007 | 32 |
| Transition – after April 2007 | 37 |
| Programme Management | 38 |
| 4. LESSONS FOR SUBSEQUENT PROGRAMMES | 40 |
| State Partnerships | 40 |
| Standardisation vs State-led approaches. | 41 |
| Issues-based Projects. | 41 |
| Demand side and civil society. | 42 |
| Synergy issues. | 43 |
| Management Issues. | 44 |

EXECUTIVE SUMMARY

Introduction

1. The State & Local Government Programme has been DFID's main programme of support to reform of public financial management, public administration and service delivery systems at sub-national level in Nigeria since 2000. It was recently extended up to the end of 2007, taking the total programme value to just over £28 million. The programme has been managed by HTSPE since its inception.

2. As well as carrying out a standard OPR/Annual Review of SLGP, DFID agreed to use this opportunity to take a forward look at where SLGP's priorities should be over the remaining 15 months of operation, and at lessons that needed to be taken on board for subsequent programmes.

Project Scoring

3. In the last review in 2005, SLGP scored 3 at **Purpose** level. The changes that SLGP is working towards are essential for better governance in the lower tiers, but the previous review concluded that while SLGP was making progress towards the indicators (OVIs) in the logical framework, they would take longer than the life of SLGP to achieve.

4. When SLGP was extended earlier this year, the justification for the extension included a more realistic assessment of what the programme could deliver over the remaining 15 months. The revised programme document set out deliverables under three headings:

- Consolidate and Embed Reforms;
- Sustain reform momentum through transition;
- Set the agenda for the next generation of poverty reduction strategies – and donor support to them.

5. **This review recommends a score of 2 at purpose level.** SLGP is making good progress against what can reasonably be expected to be achieved by the end of 2007. The objectives will not be achieved in full, but as long as SLGP can maintain its focus on the deliverables above, it is well placed to achieve most of the OVIs, and leave a good foundation for a new generation of state programmes that will come on stream over the next year.

6. The previous review gave an overall score of 2 at Output level, indicating that the outputs will mostly be achieved. The team sees no grounds for reviewing that overall assessment. The evidence supporting the team's score on each Output is listed in the Scoring Matrix.

7. The team noted that some of the OVIs in the logical framework needed to be revised to reflect the deliverables agreed for the programme extension. As well as providing a realistic basis to assess progress, this will help to focus SLGP's activities in the coming year.

Achievements and Impact

8. The review looked at the six current components of SLGP – its work in four states (Jigawa, Enugu, Lagos, Kano) and the two national streams of work on NEEDS and SEEDS. The detailed findings for each component are set out in the main report. An annex on each component gives more detail on the **activities** undertaken by SLGP, what has been **achieved** as a result, and the wider **impact** that these achievements have had.

9. Overall, the review concluded that SLGP has facilitated some important achievements in its partner states. SLGP has recorded significant progress on systems and governance improvement in policy development, public financial management and budgetary/treasury processes. Across states as a whole, the SEEDS process and the first round of benchmarking of states have created new incentives for better performance. While these processes might have happened without SLGP's support, they would have taken a lot longer.

10. A key strength of SLGP has been its engagement with the technocrats at the state level. SLGP has been successful in creating and sustaining high appetite for reform among senior civil servants.

11. These improvements have had some impact on pro-poor services, but not across the board, and not in all states. In most states, resource allocation remains in the control of one man – the Executive Governor. Whilst SLGP's support – and its willingness to work on tangible service improvements as well as systems – has won trust and created space for a political as well as a technical dialogue, there is a need for further progress in all of SLGP's partner states on allocating more resources to basic MDG services, and aligning actual spending with the budget.

12. DFID recognises that improvements in resource allocation, and in the transparency of expenditure, will not be achieved by SLGP alone. These are political issues, and will require concerted donor dialogue – together with a greater effort on the demand side – as well as the sort of technical support that SLGP has provided.

13. However, although significant issues remain (highlighted, for example, by the recent Public Expenditure Review (PER) in Enugu), the trajectory of reform is in the right direction in all the current partner states. SLGP's work on state-level governance started from a very low base, and the 2005 benchmarking results show that all of SLGP's partner States have come further than most. SLGP's impact will be seen best in the foundation it provides for the next generation of donor programmes – and administrations – at state level.

14. There seems to be unanimous agreement – from DFID, SLGP and partner states – that SLGP's work would have benefited from a clear written agreement between DFID and each state, setting out what support SLGP would provide, for how long, and what the state was expected to do in return. The Statements of Partnership Principles being negotiated with Lead States are an important step in this direction, but these will need to form the foundation for more specific agreements to the reforms that SLGP is supporting.

15. SLGP has responded well to several changes of direction from DFID – first in the selection of states to work (moving out of Benue and Ekiti and into Lagos, Kano, and more recently Kaduna), and then in the resource envelope available in each state (expanded in 2004, contracted again in 2005, a no-cost extension in 2006, and now a cost extension up to 2007).

Programme-wide Issues

16. The report goes into more detail three specific covered by the review: the role of issues-based projects (IBPs – Output 7); demand side working (Output 6) and SLGP's work with Local Government.

Issues-Based Projects

17. Issues-based Projects (IBPs) are a separate output (7) in the logframe. This component was added in 2004, to address some of the political issues highlighted above. The 2005 review concluded that it was too soon to say whether the output would be achieved.

18. Most of the IBPs undertaken by SLGP are service delivery improvement pilots (SDIPs), which work with the state to improve a specific service, and use that project as an entry point to wider systemic issues of financial management, procurement, public service reform or accountability.

19. The team has given a score of 2 on the output for IBPs, based on the evidence collected in this review. This review concluded that:

- There was evidence of real institutional change happening as a result of the IBPs undertaken in the states and FCTA, beyond the direct impact on the services that individual projects sought to improve.
- There was some evidence - but more limited - of these changes taking place in sectors other than those where the IBP took place.
- A key challenge for SLGP will be to disseminate the gains and lessons learned to other parts of government in the partner states.

Demand side working

20. SLGP has been able to open up space for civil society to engage with government – for example, through radio phone-in programmes (Jigawa), or involving NGOs in budget training (Lagos), or supporting NGOs to make communities aware of their rights to services (Enugu).

21. SLGP has not been so successful in strengthening the demand for better governance, particularly resource allocation issues, where government/civil society relations have tended to be confrontational. In some states it is doubtful whether a single management agent can get away with supporting the demand side while still being seen as a trusted technical adviser to government.

22. SLGP has not provided much support to state legislatures, and was not designed to do so. However, they have an important potential role in holding the executive accountable, which needs to be considered in subsequent programmes.

Local Government

23. Despite its name, SLGP has worked far more with States than with Local Government. There are good reasons for this, not least the ambiguity surrounding local government in the Constitution. However, improved performance in LGAs is essential for the achievement of the MDGs, because so many basic services are (in theory) supposed to be provided there.

24. It was clear from the review that LGAs are not delivering and people generally expect very little from them. It was also clear that many of the reasons for poor LGA performance lie at the state level – not just the failure to pass on LG allocations, but also the fact that LGAs also have little or no control over their staff, whose terms and conditions are controlled by the State.

25. SLGP has begun to engage more with local government in the last two years. This engagement has taken two forms – support for the development of LEEDS strategies, and support for pilot service improvements. It has generally worked better in states where there has been a clear link between the two strands.

26. The issues of Local Government cannot be addressed by working with LGAs alone. State Governments need to be given support – and incentives – to release some of the control they have over Local Government finances and operations. A strategy to improve local government needs three elements:

- Work with relevant agencies at state level.
- Work with local government (on a pilot basis) to develop strategies (LEEDS) and improve capacity for service delivery and transparency.
- Work with communities to increase demand side pressure on local governments and states for better service delivery.

27. This is an area where Service Delivery Improvement Pilots have the potential to add value. By showing that LGs can deliver services, they encourage wider community participation in planning and accountability processes. By focusing attention on service delivery, they encourage the State to look at what can be done to improve Local Government performance.

28. SLGP's approach in Lagos combines most of these elements, and could potentially be a model to replicate elsewhere in Nigeria, in subsequent DFID and other donor programmes.

Recommendations

29. The key challenges for the remainder of SLGP will be:

- To consolidate reforms, before and after the 2007 elections, to increase the chances that reforms will be sustained after the end of SLGP;
- To help states create the platform for more intensive, multi-donor support from 2007 onwards.

30. It will need to remain focused in order to do this. The programme extension sets out some clear deliverables that should provide achievable targets for the programme to aim towards.

31. The report makes recommendations for SLGP in Section 3. In section 4, it sets out some of the lessons from SLGP that should be taken into account in the design of a successor programme. The main recommendations for SLGP are:

Consolidation: up to April 2007

1. Within each partner state, SLGP should support officials to document and share lessons from the range of reform initiatives undertaken.
2. SLGP should also look for opportunities to facilitate the sharing of good practice between states, and between federal and state governments. This should include, but not be restricted to, sharing the experience of reforms supported by SLGP.
3. SLGP should prioritise support to the planning and implementation of a conditional grant mechanism for states, as part of the plans for the use of debt relief savings in 2007.
4. SLGP should support partner states to develop an overall reform framework, particularly in public financial management, to assist states to coordinate donor activities.
5. SLGP should pilot (in some states) and disseminate emerging models of support for reform of Local Government.
6. SLGP should, where appropriate, seek to collaborate with PATHS and CUBE in developing costed sector plans (as has already been done in Enugu).
7. DFID should provide clearer guidance on its future strategy in Jigawa and FCTA.

Transition: after April 2007

8. SLGP should start preparing now for the political transition in 2007.
9. SLGP should support officials in partner states to prepare technical briefings for incoming administrations.
10. SLGP should be selective in its response to requests to review or update SEEDS.

Management

11. SLGP and DFID should jointly review the national adviser roles.
12. SLGP should source some more regular international advisory input in public financial management, on a call-down basis.
13. DFID and SLGP should agree modified management arrangements to manage the final year of the programme, which should include more regular visits by DFID advisers to each state programme.

1. PROJECT COMPONENTS

The Scope of the Review

1.1 The review team was made up of DFID advisers and regional coordinators, two consultants and two representatives from development partners. The team visited the four states where SLGP is currently working (Lagos, Enugu, Kano and Jigawa) as well as meeting key stakeholders in Abuja. The team met with officials and politicians from Federal, State and Local Governments, as well as civil society counterparts and SLGP managers and consultants.

1.2 The review examined each of the six current project components: the work in Jigawa, Enugu, Lagos and Kano States, the NEEDS work with FCTA (which is equivalent to a state) and the national-level work on SEEDS and with the Ministry of Inter-Governmental Affairs.

1.3 The review did not look in detail at SLGP's work in the two states that it has now withdrawn from (Benue and Ekiti), and at the work plans for Kaduna State, where work is just starting. However, some of the programme-wide findings in Section 2 of the report are drawn from the experience of Benue and Ekiti, and the recommendations in Section 4 will apply equally to Kaduna.

SEEDS National

1.4 The SEEDS National component was added to SLGP after the Joint Inception Review in 2003, and the revision of the Project Memorandum in 2004. It was added to support the national SEEDS process, which had just been launched by NPC, and which offered the potential to provide new external incentives for better performance at state level.

1.5 In the last two years the component has contributed to these processes, including the SEEDS benchmarking and the publication – and adoption by NPC – of a SEEDS Manual. It also provided support to 16 states to prepare SEEDS documents – more than any other donor programme.

1.6 The SEEDS framework and the benchmarking would probably not have happened without SLGP, and they have had a significant impact. There is evidence that the benchmarking has created new incentives for states to improve their performance. For example, the team heard from the National Planning Commission that the 2005 benchmarking had prompted Abia State to begin to clear a ten-year backlog on production and audit of statements of accounts. Similar examples were also apparent in SLGP's partner states. The incentives created by the benchmarking do not, it seems, relate to the prospect of donor support (which is still small in relation to state budgets), but peer pressure and the political benefits of being seen to be a "good performer".

1.7 SLGP was also instrumental in gathering and reviewing all State SEEDS documents. At the time, the National Planning Commission did not have a central repository of SEEDS documents, either electronic or in hard copy. SLGP's work in collecting SEEDS documents from most of the states, scanning

them and storing them electronically has created a valuable synthesis of SEEDS priorities across the states.

1.8 Following the completion of those pieces of work in 2005, the component needs a new strategic vision. The current work plan, which focuses on building the capacity of the NPC, may not be the best way to further the priorities of SLGP in the next year. Other programmes (for example the World Bank's Economic Reform & Governance Project) are better placed to build the capacity of the NPC once its current reorganisation is complete. NPC should continue to be a partner, but it should not be seen as the primary vehicle for delivery. Some of the partnerships that SLGP is trying to build with NPC and its parastatals – for example its work to build up the training capacity of the Centre for Management Development – could be useful. However, others could become a distraction. For example, SLGP's decision to work with the National Bureau of Statistics in developing service delivery indicators for the 2006 benchmarks may not have helped in producing what was required – a simple set of indicators that highlighted a few key issues of service delivery.

1.9 From now on, the SEEDS National work needs to make better use of SLGP's experience at state level. There has been some collaboration in the past, but not as much as there might have been. For example, the template produced by SLGP's consultants for the 2005 SEEDS benchmarking included indicators that SLGP's state experience should have eliminated much earlier. The piloting of training modules based on the SEEDS manual was (rightly) done in SLGP partner states, but SLGP's plans to evaluate the impact of that training seems to rely on a team of consultants, rather than working through its programme staff in the states.

1.10 The review recommends a new focus for this component. Now that the basic structures for SEEDS are in place, and the NPC is increasingly taking ownership of the benchmarking process (with support from SRIP), SLGP could add most value by facilitating sharing of good practice and reform experience. This sharing can take three forms:

- a) Dissemination of Federal reforms at the state level. For example, the federal Debt Management Office wishes to work more closely with states, and SLGP is well placed to facilitate that process.
- b) Dissemination of State reform experience at Federal level. The learning should not be an entirely top-down process. There are good examples of reform in some of SLGP's partner states (for example, civil service and pensions reform in Jigawa) that the Federal Government could usefully learn from.
- c) Sharing of good practice between States. SLGP has already done this in its partner states, and could usefully assist its partner states to share their experience of reform with neighbouring states. The next few months will see further opportunities to disseminate good practice, with the NPC planning to follow up this year's benchmarking of states with a dissemination event to share good practice. States that perform well in the benchmarking are likely to need support to document and explain their experience, and SLGP is well placed to provide that.

1.11 This does not imply that SLGP should stop all the work in the current SEEDS National Work Plan. Support for the benchmarking process, for example, and the NPC department now responsible for it, will help to embed the idea of benchmarking beyond the current administration. Work with CMD might help disseminate good practice on SEEDS to states where SLGP does not currently work. However, the test of any such partnership should be how much it will help SLGP achieve the purpose set out in its project memorandum. In the final year of the programme, SLGP should not pursue new partnerships for their own sake.

1.12 SLGP is already planning some specialist input to improve the dissemination of its work. Rather than being an add-on to the programme, this should be set at the core of the national SEEDS work for the remainder of the programme. Dissemination and sharing of good practice should include – but not be restricted to – the dissemination of success stories from SLGP's own partner states.

NEEDS

1.13 The NEEDS component has focused primarily on support to FCTA, in its role as Nigeria's 37th State. The tenure of the current Minister has provided opportunities to support a range of reforms in policy, financial management and service delivery. SLGP has taken these opportunities and is seen as a valued partner by the current administration.

1.14 There have been significant achievements as a result of SLGP's support. The FCTA has led the way in public service reform at Federal level, with the payroll being reduced by nearly 5000 people as a result of measures to tackle payroll fraud, and an HRM database funded by SLGP. The abolition of the FCT Ministry and absorption of its service delivery responsibilities into the FCTA has been one of the more radical solutions to civil service reform in the federal government. FCTA's FEEDS process was one of the most inclusive of any in Nigeria, and was reflected in a good score in the benchmarking.

1.15 FCTA did not score so well on financial management in the benchmarking, so from 2005 onwards this area has become a priority in SLGP's support. One of SLGP's key interventions has been supporting the set-up of a central budget office – filling one of the (few) gaps left behind by the abolition of the Ministry.

1.16 SLGP has also been supporting issues-based projects (IBPs) in FCTA. Following the earlier example of Enugu, SLGP has supported the Abuja Environmental Protection Board (AEPB) to improve its billing and service delivery in solid waste management. As a result of SLGP's support, AEPB is probably the only government waste management body in Nigeria that operates without a subvention from government.

1.17 The programme has also been supporting the Abuja Enterprise Agency (AEA), which was set up to support small business growth in the Abuja area. The review team compared this initiative with a similar one in Enugu and raised concerns about the sustainability of AEA after the current administration. AEA has targeted its services on the poor, for whom it cannot necessarily charge a commercial fee. However, the agency has been awarded a contract to deliver training to retiring civil servants, which will guarantee some income.

1.18 In addition to FCTA, this component has supported two other initiatives, both at DFID's request – improvements in human resource management in the Federal Inland Revenue Service (FIRS) and a study into inter-governmental relations and service delivery for the Ministry of Inter-Governmental Affairs. The latter piece of work was not followed up because the no-cost extension of the programme in 2005 left insufficient funds.

1.19 Some of the work that the NEEDS component has been supporting are being funded from the Public Service Reform (PSR) programme, and SLGP will no longer have a management role once the managing contractor for PSR is in place. However, there are other reforms unrelated to PSR where SLGP will still have a role. A key priority for the remainder of the programme should be activities that will help to embed some of the reforms that have been implemented by the current administration. Existing work on service accountability (citizen scorecards) and reform of financial management should be continued.

Jigawa State

1.20 Out of the four states where it is currently working, SLGP has been in Jigawa the longest. In the four years it has worked there, the programme has achieved a lot. A poverty reduction strategy (J-SEEDS) has been developed and disseminated, and some progress has been made in improving public financial management. In particular, the introduction of improved information systems has opened the way for the broader PFM reforms by bringing various parts of the government together.

1.21 SLGP has contributed indirectly to reforms in other areas. For example, significant progress on salaries and pensions, and civil service reform, comes from the initiative of some key reform-minded individuals in the Bureau of Reform, which SLGP has supported. The Bureau of Reform has been a key forum for guiding early reforms, creating a pro-reform environment and enhancing inter-ministerial communication. JSG values the flexibility and responsiveness of DFID's support through SLGP, particularly with regard to creating an enabling environment within which reform-minded senior civil servants/ commissioners can work.

1.22 However, despite SLGP's support to these reform-minded individuals, and the progress that has been made, much of the final decision-making remains in the hands of the Governor. Improvements in systems have not been matched by increased levels of investment in basic services likely to achieve the MDGs. Therefore the improvements in systems may have limited

wider impact for now. However, they provide a solid foundation for a future administration after 2007, which may have different political priorities.

1.23 Jigawa's strong performance in the benchmarking (which would not have been achieved without the support provided by SLGP) prompted the EC to select the state for its new package of state support – SRIP, focusing on governance, and WSSSRP, which will work in the water sector. SRIP's focus is similar to SLGP, but it is not clear if it will take over support for all the work that SLGP has been supporting. That, and a lack of clarity from DFID on its future plans in Jigawa, has left SLGP uncertain whether it should be focused on handing over its work to SRIP or to a successor DFID programme.

1.24 The issue of longer-term DFID support to Jigawa needs to be resolved. In the meantime, SLGP should look for ways to direct JSG's initiatives to focus on priorities, and consolidate and embed these reforms. JSG's SEEDS Committee has suggested a comprehensive action plan for improving PFM systems (to international standards). This would enable them to sequence and prioritise reforms over the medium term and assess progress to date. This could be used to help coordinate the expanding donor engagement of PFM issues, notably with SRIP. SLGP could assist with this, for example supporting a reform stocktaking workshop (already in the work plan). SLGP may wish to consider using PEFA assessment to provide a framework for reform. The work on a limited IFMIS (linking treasury and budget systems) is a logical next step to embed some of the other PFM reforms.

1.25 After the 2007 election, early engagement will be needed from DFID and other donors with the new Governor and new State House of Assembly. This will be critical for enabling reforms to stay on track and establish a better relationship with the all-important Executive. However, SLGP engagement after the election will depend on DFID's future strategy in Jigawa.

1.26 SLGP's work has led to significant progress in Local Government, where 9 LGAs have conducted situation analyses, collected data and drafted LEEDS documents in the space of three months. SLGP is now piloting the idea of a challenge fund for 9 LGAs that have prepared LEEDS, which offers some potential for further progress in the next 12 months.

1.27 There seems little benefit in doing work in other areas of reform for the time being, even civil service and pension reform, where the government has made significant advances. SLGP also needs to develop a strategy to withdraw from financing Hannu Daya, for all its achievements.

1.28 Above all, SLGP needs to do what it can to empower an active reform team, some of whom may be part of the next administration, and may be minded to take the reform work from the last few years to the next stage. At present, a stocktaking exercise prior to the election will be useful to cement changes, identify key challenges and reinvigorate the reform team.

Enugu State

1.29 After Jigawa, SLGP has been in Enugu longer than any other state. Like Jigawa, it has recorded some notable achievements in 3-4 years of engagement. As in Jigawa, a degree of disillusionment has set in because the improvements in systems that SLGP has promoted have not been matched by a political commitment of extra resources to the priorities set out in SEEDS, or to basic MDG services. A recent Public Expenditure review highlighted what DFID's programmes in Enugu knew already – that the bulk of the government's budget (after salaries) has consistently been allocated to a few large and visible projects, which have little direct relevance to the MDGs.

1.30 However, the PER is a snapshot at a point in time, which says little about the changes that have taken place in Enugu since 2003. For example, the fact that the 2005 and 2006 budgets show the government's real expenditure priorities is a step forward from 2003, when the budget bore little relation to the real spending plans. The government has recognised poverty as an issue and developed a SEEDS. Improvements in HR systems are saving the state N21m per month that was previously lost to payroll fraud. The state has set up two new agencies with SLGP's support – one to encourage growth in small & medium enterprises (SMEs) and a Performance Improvement Bureau, which promotes better service delivery.

1.31 The programme has also supported several IBPs. The team reviewed two that are ongoing – a pilot to improve solid waste management, which has led to changes in the structure and staffing of the waste management agency, and has modelled good practice in procurement and recruitment of staff; and a series of rural water projects, targeted on LGAs with relatively low access to potable water. Two other service delivery projects are now concluded – one on school meals and one on civil service reform in the fire service. In both cases, these projects failed to achieve their aims because the state government was not prepared to address the systemic issues raised (in the case of the fire service) or to put in the necessary recurrent funding (for school meals).

1.32 The team saw evidence of institutional changes as a result of SLGP's IBPs. The use of competitive recruitment for a key post in Enugu's solid waste management agency – the subject of the first IBP in the state – is being used for the recruitment of a number of other key posts in the administration. The IBPs in water have encouraged greater emphasis on rehabilitation and maintenance of boreholes, rather than the usual fixation on sinking new ones.

1.33 A key concern voiced throughout the review is that DFID and SLGP's earlier working relationship with Enugu may have encouraged a culture of dependency in the state. In 2004, especially, SLGP (and DFID) were encouraged to support Enugu at every opportunity. Now SLGP (rightly) is now more selective in the requests that it agrees to support. However, it seems that senior officials in a number of ministries look to SLGP first to support new initiatives, rather than seeking state government funding through the budget process.

1.34 Despite the stronger line now being taken by DFID and SLGP in Enugu, SLGP clearly has the confidence of officials and is appreciated for its flexibility and responsiveness. Unlike Jigawa, Enugu has been clearly identified as a Lead State, so SLGP and any successor programme will continue to have an important role.

1.35 The short term strategy for SLGP is to seek to consolidate, but not to commit significant new resources. In Enugu, where SLGP has supported reforms in a wide range of services and agencies, consolidation will involve sharing of good practice between ministries, and drawing out common themes.

1.36 This approach seems sensible. But as in other lead states, consideration could also usefully be given to developing an overall plan for reform of PFM. If there is sufficient political backing, this could also be done for reform of the civil service. A judgement will need to be made as to how far this overarching strategy can be developed under the current administration, and how much will need to be left until a new administration is in place. However, there is sufficient interest among key individuals to make it likely that something can be achieved before the election.

Lagos State

1.37 SLGP started work in Lagos and Kano after the Joint Inception Review in 2003, when DFID reviewed its focal state approach. Both states were seen as too big to ignore. Both had a strong tradition of professionalism in the civil service, and both appeared to have a clear political commitment to the sort of reform that SLGP was set up to support.

1.38 In Lagos, this commitment had already led the state to embark on a major new financial management system (Oracle) before SLGP started work in the state. The State had also invited the World Bank to carry out reviews of procurement and financial accountability in the state, and the World Bank was well on the way to agreeing large programmes of support, which included PFM.

1.39 SLGP's approach in Lagos was therefore to focus on areas that the World Bank projects were less likely to cover, but which were important nonetheless – revenue collection, audit and budget transparency. In the area of revenue collection, SLGP has helped to achieve autonomous status for the Lagos State Board of Internal Revenue (LSBIR), but has not yet done enough to tackle the important issue of multiple taxation, which places a burden on economic activity in the city. Work on this area is planned, in partnership with DFID's Security, Justice & Growth programme.

1.40 Beyond this support for PFM reform, there have been two other priorities – support for the SEEDS process and support for improved service delivery in Local Government. On SEEDS, the main achievement is that Lagos took part in SEEDS and the benchmarking at all, given the state's uneasy political relationship with the Federal Government in recent years. The state has consulted widely on its SEEDS and its forerunner, the Ten Point Agenda. It has also begun to make links between LASEEDS and the budget.

1.41 On LEEDS, the main focus of SLGP's work has been on two pilot LCDAs¹ - Ikoyi/Obalende and Apapa/Iganmu. These represent two extremes of Lagos – the former a relatively affluent business area, the latter a poorer area near the port. More than in any other state, SLGP Lagos has combined work on SEEDS (and budget setting) with issues-based projects focusing on services. In Obalende, SLGP is working with the LCDA and local communities on a project to rehabilitate a chaotic transport hub and the surrounding area. In Apapa/Iganmu, a project to deliver safe and sustainable water to a slum has been scoped out with the LCDA, but is awaiting DFID approval to proceed.

1.42 The Apapa/Iganmu project takes place in a context of a clear LSG policy to encourage private sector participation in the water sector. A proposed US\$180 million World Bank loan (Second National Urban Water Rehabilitation Project - SNURWP) would fund the rehabilitation of bulk water supply and support to Lagos Water Corporation (LSWC) to establish District Supply Areas run by private operators, with independent regulators. SLGP's project would address an issue that the current plans do not – how can water be provided in a sustainable way to a poor area, with enough cost recovery to maintain the local infrastructure.

1.43 While IBPs in Lagos have an interesting history (see Section 2), and have not delivered all that was originally promised, they do seem to have opened doors to tackling some of the systemic issues of local government in the state as a whole. SLGP is looking to capitalise on the pilots by working with two of the key state agencies with responsibility for Local Government, to develop a framework for LEEDS in the state.

1.44 SLGP has also begun to involve several of Lagos's NGO community in aspects of its work. Examples of good practice are the inclusion of NGOs in SEEDS budget training for state officials, and SLGP's support to help NGOs engage more effectively with consultative arrangements with LSWC and the World Bank project.

1.45 SLGP has also done some work to support the Ministry of Establishment & Training to improve its record management and archiving. Whilst it is not clear that there is a real will for wider civil service reform in Lagos in the short term, this work will provide the information that would be needed for any future review of the staffing requirements to achieve the targets in SEEDS.

1.46 In summary, SLGP in Lagos seems to have found some good niche areas for itself, where it can have an impact on some important issues. The work on local government, in particular, seems to have a lot of potential, which is explored further in Section 2. It would be interesting to see if SLGP can use the LEEDS process – which LSG seems committed to – to begin to unlock some of the key systemic issues of release of budget allocations and staffing, which prevent LGs operating as locally accountable governments.

¹ Lagos State reformed its LG structure from 20 to 57 Local Governments in 2004. Following a dispute with the Federal Government, it agreed to officially recognise the 20 LGAs recognised in the Constitution. However, local administration is mostly done by the 57 Local Government Councils (known as LCDAs).

Kano State

1.47 SLGP started work in Kano in December 2004, with full engagement beginning in March 2005. Initially, as for Lagos, SLGP planned to be in the state for only just over a year, so the initial emphasis was on relationship building and practical support.

1.48 Over the last 18 months SLGP has started work in a number of areas, including:

- Support for the writing and production of the Kano SEEDS document.
- Support in the development of a new Budget Classification System and Chart of Accounts.
- Support in developing a new Financial Management Information System.
- Establishing a Debt Management Unit at the Ministry of Finance.
- Developing a public-community partnership in water supply management in Wudil.
- Support to Local Government LEEDS development.
- Review of HR management systems.

1.49 SLGP works through the Ministry of Planning and Budget (MPB), who coordinate SLGP's work with other Ministries and agencies. Unlike the earlier states where SLGP worked, there is no State Reform Team – instead SLGP works with existing structures.

1.50 Kano State Government (KSG) is making progress with reforms. A poverty reduction strategy (K-SEEDS) has been developed and disseminated, and some progress has been made in improving public financial management. In particular, the introduction of the new budget classification and chart of accounts has opened the way for the broader PFM reforms, which are essential to improve service delivery.

1.51 KSG recognises that K-SEEDS I was produced in a hurry, to meet Federal government deadlines. MPB has identified some key weaknesses including poor prioritisation of policies and programmes, and too many indicators in the monitoring and evaluation framework. However, excessive reworking of K-SEEDS I should be avoided as it may distract from important practical reforms.

1.52 KSG values the flexibility and responsiveness of DFID's support through SLGP. A good relationship has been established and support from senior budget and finance officials is strong. Political support has been garnered (commissioners, state assembly) but will need to be maintained, especially with a new administration.

1.53 SLGP has aligned support behind KSG priorities and is starting to lever further reform. The work on the chart of accounts has been a useful entry point for SLGP in Kano, and has clearly help build the relationship with KSG. However, significant SLGP resources in terms of time and effort devoted to budget classification and Chart of Accounts work has resulted in a slowing of

work in treasury operations. Over the remainder of the project, SLGP should look for ways to consolidate and embed these reforms.

1.54 Several other donors are starting work in Kano, and KSG is becoming increasingly concerned about coordination. A priority over the next few months is to help KSG to develop its own comprehensive action plan for improving PFM systems (to international standards), to help KSG to properly sequence and prioritise reforms over the medium term, and also to coordinate donor support in this area. There is interest in this from KSG and this will be picked up in further DFID discussions. Assistance could be provided for this through SLGP, for example supporting a budget stocktaking workshop and using PEFA assessment to provide a framework for reform.

1.55 The review identified two key priorities for SLGP in the remainder of the project:

- a) Help the state to develop an overarching plan for PFM reform, which will help it to coordinate future donor support. This will become increasingly important as most of the major donors plan to embark on governance work in the state. Apart from the work on Chart of Accounts – an important reform that needs to be seen through - SLGP should not pursue further PFM improvements until the overall plan is in place.
- b) Complete the Wudil water project, with a particular focus on the wider institutional changes that the project was supposed to promote.

1.56 SLGP's progress with LEEDS in Kano State does not suggest that further work on local government is a priority at present. SLGP has supported two LGAs to prepare LEEDS, but this is two out of 44, and the process has taken a year. There has not been much meaningful engagement with the agencies at state level that have the potential to influence the performance of LGAs, and there may also be LG elections coming up. Section 2 outlines some of the more generic issues of work at local government level.

1.57 Revising K-SEEDS and developing K-SEEDS II will increasingly come on the agenda. DFID could discuss with KSG using SLGP to support:

- An independent evaluation of K-SEEDS;
- Background policy thinking for K-SEEDS II, and
- Initial costing of sector strategies.

1.58 A number of other issues need to be considered as part of the design of a future programmes. These include:

- How to work with LGs.
- How to work better with other donors, and with what modalities of support (co-financing, pooled funding to support PFM reform?).

Management

1.59 The review looked at whether SLGP's management structure is appropriate, and whether they facilitate coordination with other state-level programmes (DFID or partners).

1.60 The programme has a standard management structure in each partner state, with an internationally recruited State Programme Manager (SPM) supported by a locally recruited State Programme Officer (SPO). Kaduna will be an exception to this model - the plan is to have a full-time SPO and an SPM shared with Jigawa. Each state office also has locally recruited support staff, including an engineer where the programme includes a lot of infrastructure work.

1.61 At the national level, the NEEDS and SEEDS components are each managed by an internationally recruited Adviser. These perform the same role as an SPM, but without a Programme Officer. The programme coordination unit in Abuja contains the Programme Coordinator, a full-time Finance Manager and central support staff. The programme also retains an Engineering Adviser who visits periodically.

1.62 Within this overall pattern, there are some interesting variations. In Lagos, the SPO is seconded from Lagos State Government. This arrangement has contributed to a relatively rapid and successful engagement with LSG. In FCTA, SLGP does not have an SPO, but pays the salaries of 2-3 equivalent people in the Minister's Policy Team. While this implies a loss of day to day managerial control it has ensured SLGP access to the highest levels of policy making in FCTA.

1.63 SLGP uses a mixture of local and international consultants for specific pieces of assistance. There seems to be a healthy balance between the two, with no suggestion of an over-reliance on international consultants. Feedback from the review indicated that the SPMs and SPOs also provide valuable technical support to partners inside and outside government. Interlocutors described them as a sounding board for ideas, and a trusted source of technical advice, which is greatly appreciated by partners.

1.64 In the budget for SLGP, SPOs and SPMs are included in the programme's establishment costs. This seems misleading. SPMs should be viewed as a key part of SLGP's – and DFID's – support to the partner states.

1.65 The other reason for SLGP's relatively high establishment costs is the office in each state capital. The team did ask whether there was any alternative management arrangement that could provide the same support, but the conclusion was that SLGP could not be effective without a full-time presence in the state.

1.66 SLGP does share office space in most places – with DFID in Enugu, with SJG in Lagos, and with several programmes in Kano. In Kaduna, SLGP will share office space with PATHS and with the Ministry of Planning and Budget. It has also just moved its Abuja coordination office to a new site that it shares with two other DFID programmes.

1.67 The main recommendation from the review is that SLGP should review the job descriptions of its two Abuja-based programme managers (the NEEDS and SEEDS Adviser).

1.68 The current management arrangement of six-monthly work plans appears to have worked satisfactorily so far. In view of the political transition, it was suggested to the review team that 3-month work plans might be more appropriate after the current work plans come to an end. However, the view of the team is that this would introduce unnecessary bureaucracy, and that other management arrangements – particularly regular systematic visits to each state by DFID Advisers – would be a more appropriate way to ensure that SLGP maximises opportunities available during the remainder of the programme.

2. PROGRAMME-WIDE ISSUES

Issues-based Projects (IBPs)

2.1 Issues-based projects (IBPs) were added to the SLGP approach after the Joint Inception Review of 2003. The JIR, and the Drivers of Change (DoC) study that preceded it, challenged assumptions about the degree of political will for reform, accountability and pro-poor change that existed following Nigeria's return to civilian rule in 1999, and the relevance of capacity building alone a way to drive pro-poor change.

2.2 The idea of IBPs was based on a different assumption about change. The theory – backed by experience in a number of countries – is that change happens when broad coalitions of different agents in society come together around issues of common interest. These issues-based coalitions have more potential to bring about change in institutions – the “rules of the game” that determined how agents interacted within the structures of the political economy – than capacity building alone. DoC identified that these institutions, rather than capacity per se, constituted the key constraint to the achievement of the MDGs in Nigeria, and IBPs were seen as a donor intervention that could best encourage such coalitions to come together and drive institutional change.

2.3 IBPs were also a response to SLGP's experience in its partner states between 2001 and 2003. The initial engagement with new partner states took a long time, and SLGP made little early headway in its attempts to start a dialogue with partners on “reform”. Work on policy and accounts were considered too abstract to attract sufficient momentum for reform. IBPs offered a way to make “reform” something more tangible.

2.4 The first IBP (solid waste in Enugu) was an SLGP initiative that actually pre-dated the JIR and DoC. It was adopted as a way to get government buy-in to reform processes faster in a relatively new state (Enugu was the fourth of the original DFID focal states where SLGP started work), by focusing the dialogue around a visible service that the state government wanted to improve.

2.5 Most of the IBPs adopted by SLGP have followed a similar model – which is better described as the Service Delivery Improvement Pilot (SDIP). By starting with a service that a state's leaders were interested in seeing improved, SLGP hoped to gain high level acceptance of the importance of systemic reforms.

2.6 There have been examples in other state programmes of projects that tried to build broad coalitions around issues. For example, PATHS in Jigawa was able to use an issue – the extremely high rate of maternal mortality in the state – to bring together government and a range of civil society actors to agree on actions to reduce the likelihood of maternal deaths. SLGP has recently begun to work on some “soft IBPs” that do not involve large scale investment, but instead use policy issues to catalyse change. It is too soon to say how effective this approach has been within SLGP.

2.7 SLGP's experience with SDIPs is, however, further advanced, and at this stage it is possible to draw conclusions about the output in the logframe that deals with them – something the previous annual review was unable to do. While the various IBPs are at different stages of development, this review has been able to gather enough evidence to be able to conclude that they are worthwhile, and that the objectives set out in the logframe will be largely achieved.

2.8 It was clear from the review that the SDIP can serve several functions:

- a) As an **entry point** to wider systemic reforms;
- b) As a **demonstration pilot** to be replicated elsewhere; or
- c) (as SDIPs have typically involved capital investment), as a **carrot** to attract policy makers' attention; or
- d) As a **catalyst** to demand side coalitions that can increase pressure on government to deliver.

Solid Waste Management in Enugu

SLGP's first IBP (solid waste in Enugu) demonstrates the first three of the potential benefits of IBPs:

- SLGP's engagement with Enugu took off faster than in the earlier partner states, and this was at least in part because there was a tangible result to attract policy makers' attention (It also took off faster because SLGP was encouraged to spend in Enugu – which may have stored up trouble for later).
- The pilot project was an entry point to several systemic issues, particularly in procurement and staff recruitment. The existing waste collection system was not working and there was no interest in maintaining the status quo. The experience of the pilot (which failed) prompted the state to restructure the waste collection agency, and pass new legislation to set the legal boundaries for reform. The pilot was an entry point to wider issues of civil service reform.
- Aspects of Enugu's approach to improving solid waste management (private sector participation, competitive recruitment) are now being either implemented or considered in other parts of Enugu State Government. The experience has also been replicated in two other states of Nigeria (Benue and FCTA).

It does not seem to have done much to achieve the fourth of these, although with more emphasis given to civil society at the outset, it might have done.

The project also demonstrates some of the potential pitfalls. For example, after SLGP paid for the initial investment in a refuse disposal site, the State government kept coming back to it to pay for all future investments in the sector. It may be that the extent and duration of SLGP's commitment was not made clear at the outset. It may be that it was, but the government developed a selective understanding of what had been agreed. The absence of a written agreement makes it hard to tell.

2.9 The evidence collected by the review is best grouped under the sub-headings in the logical framework:

Have selected services improved?

2.10 Although IBPs have been attempted in a range of services, two are most common: water and solid waste. There are good reasons for this. To attract sufficient attention to generate a wider dialogue, a SDIP needs to deliver relatively quick, visible inputs that address perceived service needs. Water is consistently identified as a priority in poverty reduction strategies, particularly at Local Government level, while solid waste offers a very visible and relatively quick service improvement. In Jigawa and Enugu, some of the water projects have made links with the health sector by focusing on water supply to hospitals.

2.11 A key lesson from SLGP's experience is that while the visible inputs may be delivered quickly, the direct service output often takes a lot longer, and the systemic changes take longer still. SDIPs are not a "quick win".

2.12 However, tangible improvements *have* been achieved in the services where IBPs took place. The city of Enugu is cleaner, for example. Water has been supplied to rural communities and district hospitals in Enugu, and health facilities in Jigawa. Other projects with a potentially large direct impact (e.g. the Wudil water project in Kano) are under way.

2.13 This is the first (and arguably easiest) test of IBPs. If the pilot service does not improve, the project is unlikely to achieve the institutional changes either. But improvements in services alone do not make a successful IBP.

Have institutional barriers to service improvement been highlighted and broken down?

2.14 Here too, the review team found evidence that IBPs are working.

2.15 First, and foremost, IBPs have put service delivery on the agenda, and "concretised" governance issues. The inception phase struggled to engage partner states in a dialogue about financial management, or procurement, or public service reform. IBPs have demonstrated the need for them, and even (in some cases) prompted state governments to ask for support to do it.

2.16 Secondly, IBPs have helped build a relationship of trust with officials and politicians in states. For the politicians, IBPs have shown SLGP's willingness to work with them on issues that matter to them and their constituency. Officials, meanwhile, have appreciated SLGP's willingness to guide them through the process of service delivery improvements and to help tackle the obstacles as they come up – both the expected and the unexpected. There have been plenty of the latter. For both, the fact that SLGP does not just talk about reform in abstract terms is something that partners appreciate.

2.17 So what are the institutional barriers, and how have they been broken down?

- In Enugu, an initial project to improve the management of solid waste was enough to show the State Government that its waste management agency – ENSEPA – was not fit for purpose. Legislation was passed to create a new

agency, ESWAMA, with responsibility for regulation as well as waste collection. Key posts in ESWAMA were filled by competitive recruitment, showing the benefits of recruiting experience and competence, rather than political affiliation. The agency has been restructured, but in a consultative and strategic way, rather than a political witch-hunt. In other words, the SDIP provided incentives and a model for public service reform.

- In Jigawa, support for water projects highlighted the fact that the State government did not budget for, or allocate resources to, rehabilitation and maintenance of its infrastructure. Budget provision has now been made for this.
- In Lagos, IBPs are less far advanced, but the engagement with Ikoyi/Obalende LCDA has highlighted several of the reasons why local government is not working – the failure to pass on LG allocations, or state control over the employment of local government staff. Another problem was that people and communities had little expectation that their LG would ever deliver anything. As a result, the sort of bottom-up demand side pressure that might lead to a change in incentives at local government level (more than in any other tier of government) was largely absent. SLGP's support to the LCDA to deliver something – however small – was enough to get people interested, and asking questions.

2.18 Where IBPs do not seem to have worked is where they were conceived primarily as a “carrot”, to satisfy political demands. The best example of this is the IBP in Ekiti State that supplied water to a market. A review of this project² concluded that there may have been valid institutional change objectives built into the project, but that if you were designing a project to achieve those objectives, you would not have designed the project that was eventually implemented. The design seemed to have been driven more by political demands than by any clear vision for institutional change.

2.19 In general, even where IBPs have worked, SLGP has not always been good at telling the **story** of institutional change. There are two stages at which this story is important:

- At the project design stage. Since 2005 DFID has had to approve all proposals for new IBPs. Most proposals have set out in great detail the technical plan for how the service was expected to improve. Few have told a convincing story about *what* institutional change was expected to happen as a result, and *why* the project would help to bring it about.
- Project monitoring and reporting. This tends to focus – understandably – on whether the technical work is getting done. However, it is also important to monitor whether any wider changes are happening as a result.

² SLGP Consultancy Report 169.

2.20 Institutional change is unpredictable, as the example below from Lagos demonstrates. However, the plan for an IBP should still be clear on the sorts of changes that the project *expects* to achieve. They may not materialise. Different changes might happen instead. But there should be a reasonable expectation of the sorts of institutional change that the project will bring about, and these changes need to be actively monitored.

IBPs in Lagos – Carrot to Catalyst?

The experience of IBPs in Lagos contains a useful mixture of positive and negative learning points.

SLGP began to engage in Lagos at a time when the imperative from DFID was to spend more. IBPs were seen as a way to spend money more quickly. There was also an assumption that in order to be taken seriously in Lagos, DFID/SLGP needed to offer serious money to improve services – or infrastructure – in a tangible way. Therefore the initial package of support presented to Lagos State contained a provisional allocation of £1.6m of SDIPs, including nearly £1m for a water pumping station and a smaller allocation for two urban regeneration projects in Obalende.

This £1.6m “carrot” may have encouraged some policy-makers to take SLGP’s reform agenda seriously. But when set against the scale of the challenge in Lagos, it is hard to see that even £1.6m set too many pulses racing. Most of the carrot has not materialised anyway - one of the Obalende projects was shelved, while a re-designed water project is still awaiting DFID approval. So one might expect that SLGP would not have much credibility with policy-makers in Lagos.

Yet the evidence from the review is that SLGP is taken seriously – without spending the big money. Why? There seem to be two reasons. One key interlocutor from the State told us that SLGP is seen as a trusted source of technical support, a sounding board for new ideas. Another said that if SLGP is involved in an activity, then people (both inside and outside government) believe that something will happen³.

Ironically, this is best exemplified by a relatively small investment. In Obalende, SLGP developed an urban regeneration project with the Ikoyi-Obalende LCDA, which involved work with communities living around a blighted area of inner city Lagos. In the course of the planning for the larger project, SLGP and the Local Government saw an immediate priority in the removal of a 5ft pile of rubbish that was endangering the wall of the local primary school. With SLGP’s help, the Local Government was able to engage a contractor to remove the rubbish. And the result, according to the LG Chairman and the SLGP State Programme Manager, is that communities responded to the LGA (which had delivered something tangible, for the first time in most people’s experience), by taking serious interest in the development of LEEDS.

This does not necessarily mean that small is beautiful. But it does suggest that institutional change *can* be achieved through a small investment – as long as there is a tangible result, and as long as it is part of a larger process.

What the Lagos experience also shows is that projects that may have originally been conceived as a political “Carrot” can still be useful, if sufficient thought is given to the design of the project and the institutional change “story” ahead of time, and during the course of the project.

³ The same interlocutor said that he had lost interest in other donors who came to see him, wrote up their reports, and delivered nothing.

Has sufficient public interest been mobilised for change?

2.21 The Obalende project is one example of where public interest does seem to have been mobilised as a result of an IBP. Another example is the Apapa/Iganmu water project in Lagos, where public interest has been generated even where no tangible project has been delivered yet. Whilst it is good to have the community mobilisation in place before the infrastructure (it is possible that the Kano water project will suffer from not having this in place before the water project began), one can expect the public interest to dissipate quickly if it becomes clear that no water project will be forthcoming. DFID and SLGP should avoid gaining a reputation of promising and not delivering.

2.22 The relationship between government and NGOs also seems to have benefited from IBPs. Enugu State is not fertile ground for 'advocacy' NGOs that challenge the government. Like many governments in Nigeria, ESG inherited a culture of secrecy from the military and does not welcome criticism, even constructive. However, one environmental NGO told us that as a result of the solid waste management pilot, they had been invited to talk to the government for the first time. A common agenda – in this case making communities aware of what services they were entitled to expect from private providers – created an unlikely coalition between stakeholders that had previously barely talked to each other.

2.23 However, none of the projects reviewed had led to the development of broad demand-side coalitions in support of "reform". It may be unrealistic to expect this – after all, SLGP's primary focus has been on reform of government systems, rather than strengthening or mobilising the demand side. It is too soon to say whether the "soft IBPs" currently being started in Lagos and elsewhere will have this sort of catalytic effect. In principle, they are more likely to.

2.24 A review of the Enugu solid waste pilot⁴ suggested that more space should have been given to the involvement of civil society in the process.

Has acceptance of new ways of working been widened?

2.25 There are a few examples where IBPs have created precedents that have been followed elsewhere. For example, in Enugu, competitive recruitment – first used for senior positions in ESWAMA – has since been used for several other key posts in other parts of the state government.

2.26 In Jigawa, new ways of working had wider consequences beyond government. As a result of the more competitive procurement used by the State Government on IBPs, several contractors from Jigawa gained experience of a different style of business. The review team was told that this experience had helped at least one of them to bid for larger contracts in FCTA – where similar changes have taken place in procurement.

⁴ SLGP Consultants Report 204 – Lesson Learning Review of Enugu Solid Waste Management Pilot – Philippa Haden & Dr Daniel Ugwu, June 2005.

2.27 However, it seems that these are isolated examples at the moment. The general pattern is that although new ways of working have become accepted in the services where the IBPs focused, they have yet to be disseminated throughout the rest of government.

2.28 Therefore a high priority for SLGP in the remainder of the programme is to disseminate good practice within the state governments where it is working, to ensure that other parts of government are aware of what has worked in the pilot MDAs.

Would more conventional forms of capacity building have achieved as much?

2.29 This is the other key question the review set out to answer. It is all very well saying that IBPs have achieved results. But would more have been achieved if the same resources had been used in other ways - in SLGP's case, more technical assistance to systemic reforms? Would that have achieved more of the purpose of SLGP than investment in IBPs?

2.30 It is not possible to say whether the institutional changes that IBPs have achieved would have been achieved in other ways. However, the assessment of the programme as a whole would suggest not. In the states where it has worked for longest, SLGP has built technical capacity successfully. In the 2005 benchmarking (which mainly measured capacity), Enugu, Jigawa and Ekiti were among the highest scorers. Yet none of these states is seen as a particularly strong performer when it comes to allocating resources to pro-poor services. The conclusion is – as it was in the Drivers of Change study in 2003 – that building capacity alone is not enough. What also needs to change is the set of incentives and institutional factors that are commonly bundled up in the concept of “political will”.

2.31 So what about a state that seems to have greater “political will” at the outset? Lagos is a good example. Before SLGP started work in Lagos, the State government had already made significant progress in certain types of reform. It invested in the Oracle financial system with its own resources. It brought consultants in to improve its revenue generation, without donor support. It is therefore open to several of the areas of systemic support that SLGP had to offer.

2.32 Some of SLGP's achievements in Lagos – in audit, for example – would have occurred without IBPs with a clear service delivery focus. The key point is that others would not. For SLGP, there will always be opportunities where “reformers” in government wish to drive the sorts of changes that SLGP is set up to provide. Since 1999, Lagos has probably had more of these reform champions than most states. But even in Lagos, the supply of these champions is not infinite, and the political will for reform has limits. There is not, as yet, much transparency on actual spending in Lagos (in common with nearly every other government in Nigeria). The financing of local government remains a mystery to almost everyone – even now the federal government is no longer withholding Lagos's local government allocations.

2.33 IBPs are designed to appeal to a more common constituency – the political leader with a desire to deliver something tangible to his electorate. It is by working with the state to deliver better services that the real systemic obstacles to those services – and to poverty reduction – become clearer to all. As the obstacles become clearer, so it becomes clear whether the political will is really there to tackle them.

2.34 For example, if SLGP had only worked on reform of systems in Enugu, DFID and other donors might probably still regard Enugu as a top performer, as they did in 2004 when the executive was producing its SEEDS and talking about poverty. Ironically, this is best demonstrated by one of the ‘failed’ IBPs – the Enugu School Meals Plus project. As a project, it achieved its immediate aims – setting up the systems for provision of free school meals, and partnering with UNICEF to provide the “plus”. The problem came when the State government had to commit its own resources to the programme. This, and similar experience with the PATHS programme in the health sector, began to cast doubt on Enugu’s poverty reduction rhetoric.

2.35 There is no contradiction in Enugu being a relatively good performer on budget & fiscal management in the benchmarking, and the criticisms in the recent Public Expenditure Review. Enugu has achieved real improvements in financial systems since 2003. It could easily use more donor funds to improve those systems further – for example, through a computerised IFMIS. The problem is that those systems are not being used (at the moment at least) to fund basic services. And it is because DFID has worked with the state government on delivery of specific services that we know that, and others do too. *As a result of SLGP’s work, local NGOs are now able to use published budget, policy and strategy documents to question government actions.*

Other lessons from IBPs

2.36 The review has identified other lessons from the experience of SDIPs. Perhaps the most important lesson is the need for DFID and its programmes to be clear, at the outset, what it is going to provide and for how long. Clear agreement at the outset on how much SLGP would contribute to the Enugu School Meals Plus programme, and for how long, might not have led to a different outcome, but it would have made it easier for SLGP and DFID to take a harder line when the State Government did not commit its own resources. This is not an issue for IBPs alone – it applies to all of SLGP’s support.

2.37 Several of the IBPs have involved large investments. When the programme is trying to build a relationship with a new partner government, a larger project may be necessary to attract policy-makers’ attention. However, the Obalende experience in Lagos suggests that some of the important institutional changes can be achieved with relatively small activities – the removal of solid waste, or the building of a toilet block – if complementary support for institutional reform is there as well. Now that SLGP is not under pressure to spend quickly, that should be borne in mind in future IBPs.

2.38 It has not always been easy for a programme that was set up – and staffed – to work on governance, to obtain the right technical input for physical works. For future programmes, this should ideally be built in at the outset, either within the programme or in a parallel programme – for example the EC's water programme that works in partnership with SRIP.

2.39 Another issue that SLGP has considered is whether to make counterpart funding a condition of going ahead with the project. Obtaining commitments to counterpart funding in advance would have been desirable for a project like Enugu School Meals Plus, which needed recurrent funding to be sustainable. However, for capital works, SLGP has largely avoided relying on counterpart funding, because of the risk of delay or even curtailment that this involves. The Federal Government's UBE programme has also had problems mobilising promised counterpart funding from states. SLGP's strategy has been to fund the full cost of a pilot project, and then work with the government on replicating it with its own resources. This is not a foolproof strategy but it does ensure that at least some tangible results are delivered.

Demand side working

2.40 SLGP was originally intended to work on the demand side as well as the supply side. Output 6 in the Logical Framework is:

Civil Society/Government interface is strengthened. The demonstration of transparent public management is improved.

2.41 SLGP has been able to achieve this, at least in part, by opening up space for civil society to engage with government. It has achieved this in a range of ways –through radio programmes (Jigawa and Enugu), by involving NGOs in budget training for civil servants (Lagos), or by supporting NGOs to make communities aware of their rights to services (Enugu). It has been able to do this more in states where NGOs are seen as partners in development rather than adversaries, and there are already constructive working relationships between government and NGOs. Lagos has offered more opportunities to do this than any other partner state.

2.42 SLGP has not been so successful in strengthening the *demand* for better governance. In the early days of SLGP, the attitude of some governments was that SLGP was either for the government or against them – it could not work with NGOs and labour unions as well as the government. The difficulty is greatest on resource allocation issues, where government/civil society relations have tended to be confrontational. It is also greater in states where the Executive still has the mentality of secrecy inherited from the military administrations.

2.43 In some states it is doubtful whether a single management agent can get away with supporting the demand side while still being seen as a trusted technical adviser to government. To be able to provide effective technical support to state governments, SLGP needs access to some of the internal workings of government, and several partner states would be less willing to provide this access if SLGP was also building the capacity of NGOs that the government suspected would want to use that information against them.

2.44 The design of SLGP did not explicitly include support for state legislatures. In the short term, it was probably appropriate to focus elsewhere – many state legislatures appear to be effectively controlled by the Executive. At this stage of the programme it would not be appropriate for SLGP to embark on a major new activity to strengthen legislatures, but in some states there is scope to involve them more in other ongoing activities. Where these opportunities exist, SLGP should take them. Support for state legislatures needs to be considered in the design of any successor programme.

Local Government

2.45 As its name suggests, SLGP was originally supposed to address issues of governance at Local Government as well as at State level. Until recently, SLGP has not done much to address Local Government. There are several reasons for this:

- a) The programme needed to engage first with the partner States, and build relationships there. Not all States were interested in extending SLGP's work to local governments.
- b) Separate engagement with each of the LGs in the partner states was beyond the programme's capacity – there are simply too many of them. Engagement with LGs had to be through the State government.
- c) DFID's priority, too, has mainly been at the state level.
- d) At least two of SLGP's partner states have been involved in long-running disputes with the Federal Government about their sub-division of constitutionally recognised LGAs into smaller Development Councils.

2.46 The decision to work mainly with states has also been justified by the ambiguity that exists in the Constitution – and on the ground – about around the independence of LGs from states. LG Allocations are paid to LGs through a joint account managed by the State Government. State Electoral Commissions organise LG elections, and most elected LG Chairmen come from the same party as the State Governor. States are therefore in a strong position to determine what happens at LG level. As one State politician said to the review team: "Local Governments are not a problem. We control them".

2.47 If States – and DFID – are serious about achieving some of the commitments in SEEDS, they cannot avoid Local Government altogether. Local Government matters. Under the Constitution, LGAs have responsibility for primary education, primary health, and several other basic services essential for the achievement of the MDGs.

2.48 The practical choice is between finding a way to engage with local government, or working around it. The problem with the latter strategy is that LGs are allocated (but do not necessarily receive) nearly 20% of the national cake. There is strong anecdotal evidence (some of which may soon find its way into court in support of EFCC prosecutions) that while systems are tightened up at State level, in response to external scrutiny and the benchmarking, States have been using LG funds as the source of patronage to reward their supporters and maintain the status quo. If nobody is looking at what happens to that 20%, State Governments cannot be expected to volunteer the information.

2.49 LGs are also the tier of government that should be closest to people, and to communities. If any tier of government is likely to be held accountable for service delivery by communities, it should be local government.

2.50 SLGP has begun to engage more with local government in the last two years. This engagement has taken two forms – support for the development of LEEDS strategies, and support for pilot service improvements. It has worked better where the two strands of work have been linked.

2.51 The review looked at some of the work that has been done with Local Government. It was clear that the system is broken. Local Government is not delivering and people generally expect very little from it. It was also clear that many of the reasons for poor local government performance lie at the state level. The failure of States to pass on Local Government allocations is well documented, but LGAs also have little or no control over their staff – whose terms and conditions are managed by Local Government Service Commission controlled by the State. Even where a Local Government Chairman wishes to improve services or performance, he does not always have the necessary levers to do so.

2.52 These issues cannot be addressed by working with Local Government alone. Unfortunately, in the absence of changes to the Constitution, there are few obvious incentives for State Governments to release the control they have over Local Government finances and operations – particularly when local governments are clearly not performing.

2.53 A strategy to improve local government therefore needs three elements:

- a) Work with relevant agencies at state level – typically the Ministry of Local Government, the Local Government Service Commission, the Auditor General for Local Government, and possibly the State Planning Commission (or equivalent) for the development of LEEDS strategies.
- b) Work with local government (on a pilot basis) to develop strategies (LEEDS) and improve capacity for service delivery and transparency.
- c) Work with communities to increase demand side pressure on local governments.

2.54 Here (probably more than in any other part of SLGP's work), Service Delivery Improvement Pilots have the potential to add value. By showing that Local Government can deliver services to ordinary people, they encourage wider community participation in planning processes and holding government accountable. By focusing attention on service delivery, they encourage the State to look at what can be done to improve Local Government performance – without which many of the goals and targets in SEEDS are unlikely to be achieved.

2.55 This is the approach that SLGP is adopting in Lagos, and there are signs that it is working. In two pilot LGAs, visible projects have increased community interest in their local government. One of LGAs has published its budget, and both have carried out genuine consultation in developing LEEDS. At the same time, SLGP is working with the Ministry of Local Government to roll out LEEDS across the other LGAs, and is building capacity in the LG Auditor General's Office.

2.56 It is too soon to say whether the State Government will be willing to tackle the operational constraints that it places on local governments, or to free up more of their allocations, but the development of LEEDS, and a general agreement that services need to improve, provides the space for a dialogue that could not have taken place when SLGP first started work in the State.

3. RECOMMENDATIONS – SLGP

3.1 The main recommendations for SLGP are already set out in the Project Memorandum supporting the project extension, approved in June. This sets out three broad priorities for SLGP in the period to December 2007:

- a) Consolidation of the reforms of the current administrations;
- b) Support through the political transition in 2007; and
- c) A foundation for multi-donor support for the next round of poverty reduction strategies at state level.

3.2 This report gives specific recommendations for how SLGP can best support the priorities in the contract extension, drawing on the findings of the review.

3.3 Now, six months before the end of the current administrations and 14 months before the end of the programme, is not a time to embark on major new initiatives, or to abandon initiatives that are a high priority for partner states. There is, however, scope for consolidation of existing plans, for refocusing a few activities, and for prioritising some of the activities over others that have little prospect of having a lasting impact.

3.4 Detailed recommendations are given for each component in the annexes. The recommendations in the main report are programme-wide.

Consolidation – up to April 2007

1. Support officials to document and share lessons within each State

3.5 SLGP has supported a range of reform initiatives in its partner states. Often – in fact almost universally – reform has been focused in a particular ministry or agency. Officials in other parts of government are not always aware of it.

3.6 It will therefore be important for SLGP to use the next few months to support officials in partner states to document and share experience of reform, and to disseminate the lessons to other parts of government. This is a higher priority in Jigawa and Enugu, where SLGP has been working longer, and with a wider range of agencies. A degree of consolidation would also be helpful in other states (e.g. Lagos).

2. Facilitate sharing of good practice between states, and between the tiers.

3.7 As well as sharing lessons within partner states, SLGP is particularly well placed to facilitate the sharing of good practice **between** states, and between state governments and other tiers of government, for two reasons:

- a) It has several years' **experience** of supporting governance and service delivery reform at state level – no other donor programme has this.

- b) It is **independent** of any tier of government. States, in particular, tend to be wary of initiatives imposed from the federal level, but they are open to learning from other states, or from federal agencies, if an independent facilitator is involved.

3.8 As the report concludes, SLGP's SEEDS National component seems to have lost a clear focus since its initial work on the SEEDS process and the benchmarking. This facilitation role would provide an ideal focus to draw together some of the activities in the current SEEDS national work plan.

3.9 The review identified several opportunities for this sort of facilitation:

- a) The National Planning Commission wishes to use the feedback from the next round of benchmarking as an opportunity to showcase good practice in states. The idea – for states that have scored well in a particular area to share what they are doing with other states – is laudable, but SLGP's experience indicates that states are likely to need some support to articulate what they have done and present their experience to a wider audience.

Stories from states are also likely to need some critical review, to filter out those states that score well on the benchmarks but do not have real good practice to justify their scores.

SLGP could offer to help states to document their stories and prepare their presentations, and they could also help NPC to filter out the real examples of good practice from the more skin-deep reform initiatives. (This latter task would have the added benefit of helping the NPC to sharpen up the benchmarking indicators for next time).

- b) Some federal agencies at the forefront of reform (e.g. the Debt Management Office) are keen to make links with state debt management units. SLGP, which has worked with several states on debt management, is well placed to facilitate this in a way that does not make states feel they are being dictated to by the Federal government.
- c) The sharing of experience between the tiers should not be a one way process. Some of SLGP's partner states may have achieved more in certain areas of reform than the federal government. Jigawa, for example, has a good story to tell on payroll and pension reform.

In helping partner states to document their own experience, SLGP should also explore opportunities to feed lessons into reform processes at the federal level (for example through DFID's Public Service Reform programme).

- d) SLGP's ongoing work to develop training modules for states, based around the SEEDS manual, contributes to the sharing and dissemination of good practice.

| |
|--|
| 3. Support the planning and implementation of a Conditional Grant mechanism for States. |
|--|

3.10 The MDG Unit in the Presidency is proposing that some of the debt relief savings in the 2007 budget should be given to States in Conditional Grants. The amount in 2007 will be relatively small, but could be increased in subsequent years. It is therefore important that the scheme is able to select the right states and the right projects to be able to demonstrate tangible impact in year 1. The key to making this work will be setting the right conditions.

3.11 A system of conditional grants, properly designed, provides an additional incentive for the sort of good practice that SLGP is trying to promote. SLGP has experience at state level that could assist the MDG unit in getting these conditions right. This should be a high short-term priority for the SEEDS national component. What is needed is not theoretical advice, but real-life experience of financial management at state level, which would indicate the possible pitfalls and suggest how they might be addressed in the conditions.

3.12 It is also important that conditional grants are seen to work in their first year. If SLGP partner states are selected, SLGP should assist the states with the implementation and – critically – the tracking of the expenditure, so that those states, at least, will be able to demonstrate real impact. This support should be provided as part of SLGP's state work plans, in collaboration with the SEEDS National Adviser.

4. Support States to develop an overall reform framework

3.13 For most of the period of SLGP, it has been the only donor programme supporting governance reform in the states where it works. Other donor governance work has either been focused in different states, or on a much smaller scale. Only in Lagos has SLGP had to work closely with another donor programme covering similar ground – the World Bank's forthcoming **LMDGP**.

3.14 This is now changing. The EC's Strengthening Reforming Institutions Project (SRIP) recently started work in two of SLGP's partner states (Kano and Jigawa). Other World Bank, UNDP and USAID projects and programmes are in the pipeline. In Kano in particular, the field is becoming increasingly congested.

3.15 It is not SLGP's role to try to coordinate all donor activity in a state. DFID's Regional Office in the North is trying to do this in Kano. However, the ideal is for the State Government to take a lead on coordination. Through its working relationship with State Ministries of Finance or Planning and Budget, SLGP is well placed (with DFID) to support State Governments in doing that.

3.16 The best way SLGP can do this in the short term is by supporting governments to think through their overall reform strategy in two areas where SLGP has been working – public financial management and public service reform. The degree to which SLGP can do this will depend upon the readiness of each state to develop its own framework for reform, and the extent to which one exists already.

3.17 The review indicates that there is definitely a need for this sort of input in Kano. In other states, this sort of support should be considered but may not be appropriate: for example:

- In Jigawa, the EC (SRIP) is the only donor committed to this sort of work after 2007, and until DFID clarifies its own plans, SLGP is not in a strong position to push this agenda, despite its links to the State Reform Team.
- In Lagos, some work has already been done by the World Bank (with SLGP support) and the Bank may continue to take a lead.

3.18 The political timetable also needs to be considered. While these plans can be developed as a purely technical agenda, they will need political buy-in at some stage. There is a political judgement to be made on whether this is best obtained from the outgoing administration, from the new administration, or from both. DFID Regional Offices are best placed to advise on these issues.

5. Pilot (in some states) and disseminate models of support for reform of Local Government.

3.19 Most donors recognise that Local Government matters, but there seems to be a shortage of clear ideas on how to make an impact on governance in that tier. The NPC wants to make LEEDS a higher priority in the next version of NEEDS, but there, too, it is not yet clear how change at that level can be influenced from a national level.

3.20 SLGP, particularly in Lagos, has developed an approach to local government that highlights where the real institutional issues are, and is making some progress towards tackling them. It has done this by working both with pilot LGAs and with the key state agencies that manage LGAs. The review team believes SLGP could perform a useful service to the next generation of donor programmes by documenting the approach, its successes and failures, and lessons for future work on improving the performance of local government.

3.21 The Lagos approach could usefully be compared and contrasted with SLGP's slightly different approach in Jigawa, where it is piloting a challenge fund for reform initiatives in local government. PATHS also has experience of using peer review as a catalyst for local government reform in the health sector.

3.22 We do not recommend that SLGP should try to do this in all states. In Enugu and Kano, the LEEDS process does not appear to have sufficient momentum at state level to make it worth significant further investment by SLGP (In Kano, SRIP will work at local government level in governance and the water sector).

6. Costed Sector Plans – collaboration with PATHS and CUBE

3.23 An issue identified in several states is the difficulty in linking policies and strategies in SEEDS to state budgets. This is partly a political issue (not all SEEDS documents reflect the real spending priorities of State Governors, at least in the short term). But even where there appears to be genuine political commitment to the priorities and targets set out in SEEDS, there are technical difficulties in making the link.

3.24 A similar issue was identified with linking NEEDS to the Federal Budget. The response there – piloted in 2005 and extended to 19 ministries in 2006 – was to develop costed Medium Term Sector Strategies.

3.25 SLGP has already supported a similar process in the health sector in Enugu, in partnership with PATHS. There, PATHS supported the Ministry of Health to prepare a costed budget submission, linked to the needs of its District Health Schemes. SLGP worked with the Ministry of Planning & Budget to pilot a new Chart of Accounts in the Health sector.

3.26 This sort of collaboration could usefully be considered in other states where SLGP is working along major sectoral programmes (i.e. PATHS in Jigawa, Kano and Kaduna, or in the Education sector, CUBE in Kano and Kaduna). Costed sector strategies for big-spending Ministries would provide:

- a) Input into the next generation of SEEDS;
- b) Clearer outcome-level targets;
- c) Evidence-based strategy and policy making; which would feed into
- d) Policy-driven budgeting and expenditure.

3.27 SLGP should seek to link with PATHS, CUBE/SESP (Education) and (where applicable) other projects/donors which can support line ministries to develop sector strategies, and to work on key performance indicators at a higher level. This will require a dialogue around spending and organisation to achieve established targets.

3.28 As with other recommendations, this approach will be more applicable in some states than others. SLGP will rely on the existence of other programmes with the relevant sector expertise. With the exception of water, where SLGP already has some experience, it is unlikely to be cost-effective for SLGP itself to bring in that sort of sectoral expertise at this late stage of the programme.

7. Clarity on future plans in FCTA and Jigawa

3.29 Four of SLGP's partner states have been announced as Lead States under the DFID/World Bank/USAID Country Partnership Strategy (CPS). In these States, the development partners are in the process of agreeing results matrices and statements of partnership principles.

3.30 While this ought to provide greater clarity on priorities for SLGP in those states, DFID also needs to consider what it wants SLGP to do in the partners that are not designated as Lead States. In Jigawa, a lack of clarity on DFID's future plans may be hampering joint donor working with SRIP. In FCTA, some of SLGP's work will be taken over by a federal programme but other important reforms (especially in Public Financial Management) will not.

3.31 Clear guidance from DFID on future work with Jigawa State and FCTA is needed to guide SLGP's strategy on engagement after 2006, and particularly after the 2007 elections.

Transition – after April 2007

3.32 In April 2007, there will definitely be new political leadership in four of SLGP's five partner states⁵. By the time the dust has settled and normal business resumes after the elections (experience would suggest this will not be until July 2007), SLGP will have only five months left to run.

3.33 Therefore work with new administrations will have to be selected carefully. SLGP will not be in a position to commit to long-term activities or new IBPs with incoming administrations. It will need to work closely with other donor programmes, DFID Regional Offices, and other successor programmes.

8. Preparation starts now.

3.34 SLGP will only be able to engage effectively with new administrations if it starts preparing well ahead of the transition. Several of the recommendations in the previous section will lay the groundwork for this.

9. Support technical briefings by officials

3.35 One way in which SLGP can encourage new administrations to continue the good reform work done so far is to support officials in making presentations to the new political leadership. These could include:

- Success stories from previous reform initiatives, including (but not limited to) those supported by SLGP;
- The results of surveys and reviews (e.g. in Enugu, the Public Expenditure Review, or the Community Service Delivery Surveys);
- Emerging technical plans or overall PFM/PSR reform frameworks.

⁵ The exception is Kano, where the Governor is in his first term. However, Kano State has never previously re-elected an incumbent Governor, so continuity cannot be assumed.

10. Reviews/updates to SEEDS

3.36 It is possible that SLGP will be asked by incoming administrations for support with policy planning, or updates to SEEDS.

3.37 Engagement with these processes will have some benefits. Some initial SLGP support for policy reviews would be a good short term way for DFID as a whole to build relationships with new administrations, without making long term commitments of support.

3.38 However, SLGP should avoid encouraging new administrations to jettison all the work done by its predecessor (throwing out the baby with the bath water). One goal of such engagement should be to promote a degree of continuity between administrations – by demonstrating the benefits of earlier reforms and encouraging new administrations to continue with them.

Programme Management

3.39 The previous recommendations have management implications for SLGP. Two, in particular, should be highlighted here:

11. Review the national level Adviser roles.

3.40 At the moment SLGP has two full-time national Advisers, who have an equivalent role to the State Programme Managers.

3.41 The proposed changes to the SEEDS National component will require a different skill set – and therefore different terms of reference – to the current SEEDS National Adviser post. There will be a greater emphasis on networking and communication skills, and on making linkages between federal and state counterparts.

3.42 At the same time, several work streams in the NEEDS component are about to be transferred into another DFID programme (Public Service Reform), once managing contractors are in place for that programme. While the workload for the NEEDS Adviser has been particularly heavy, it is not clear that a full-time Adviser will be needed to manage the residual NEEDS work plan.

3.43 The team therefore recommends that two national positions be created, to replace the current NEEDS and SEEDS Adviser post:

- a) A revised SEEDS Coordinator post, with different terms of reference and an emphasis on sharing of good practice, networking and dissemination; and
- b) A Federal Capacity Building Programme Manager, who will manage SLGP's remaining capacity building support to federal agencies – primarily FCTA and NPC.

3.44 The first step after this review should be a discussion between DFID and SLGP on how the NEEDS and SEEDS Adviser posts need to be adapted to the changed circumstances and priorities identified in the review. The two posts would need to work closely together, because the focus of the NPC capacity building work should be on the wider dissemination and networking agenda, rather than capacity building for its own sake. The posts should also be designed to maintain continuity of relationships as far as possible.

12. More specialist PFM input.

3.45 The previous two recommendations have an important management implication for SLGP. In developing overall PFM reform plans, and working on costed sector plans, SLGP will benefit greatly from regular, structured input from an international PFM specialist. This sort of consultancy input has been used in some states, but SLGP has not had consistent PFM input from an international specialist. It was generally agreed that this would be beneficial.

3.46 There are two ways that this could be provided. One is through a new full-time national Adviser post. However, in the remaining life of SLGP, it is not clear that a full-time adviser of the right calibre would be available for a one-year contract, or if this would offer the best value for money.

3.47 The preferred approach, in the team's view, is for SLGP to engage a consultant on a call-down basis, similar to the role currently played by SLGP's Engineering Adviser. This consultant would visit periodically, and visit the states where PFM work is being planned. Their role would not necessarily be to provide all PFM consultancy input (some of this could still be provided by local consultants, as now) but to provide quality control and consistency, support DFID's policy dialogue with states on PFM, and liaise with other donors working on PFM at state level.

13. Modified management arrangements.

3.48 For the period covered by the review, SLGP has agreed six-month work plans with partners in the states. Regional Offices are consulted in drawing up the plans, which are then reviewed and agreed by DFID centrally.

3.49 While this has generally worked well, and there is no need to shorten the planning cycle, the political uncertainty over the remainder of SLGP's life and the development of multi-donor partnership agreements with several states makes it appropriate to consider additional management arrangements for the remaining year of the programme. These should avoid creating extra bureaucracy, but allow more regular dialogue between State programme managers and DFID Advisers. Scheduled 2-3 monthly visits from Advisers based in Abuja and Kano could supplement the 6-month planning cycle.

4. LESSONS FOR SUBSEQUENT PROGRAMMES

4.1 As well as making recommendations for SLGP itself, the review set out to make recommendations for future state-level governance programmes that (it is hoped) will succeed SLGP.

State Partnerships

| |
|--|
| 1. Consistent messages and funding. |
|--|

4.2 There should be no need to recommend that future support to reform at state level should be based on clear agreements and predictable funding. This is good development practice, now enshrined in the 2005 Paris Declaration on Aid Effectiveness.

4.3 However, the experience of SLGP has been somewhat different. In the short space of five years, SLGP has seen three changes of partner state, a rapid expansion in its spending targets (2003-4) followed just over a year later by an equally rapid contraction. It has been shortened (in 2004) and then extended again (in 2006). This has not helped its planning, or enhanced its credibility with partners in the states.

4.4 In Lagos and Kano, SLGP went in with an expectation of working for a year, and then handing over to a successor programme. Instead, it is now making plans for another year's engagement. The original work plans in those states were not as strategic as they would have been if a 2-3 year engagement had been envisaged from the outset. There were similar uncertainties in Jigawa State: at one stage it was expected that the programme would close, and for six months there was no state programme manager.

4.5 Any successor programme to SLGP will be in a better position to take a strategic approach to reform if it is part of a longer-term commitment to a state. This should not tie DFID in if the state performs badly, but it should avoid the frequent chopping and changing of state focus that has characterised SLGP.

4.6 State-level working would also benefit from a clear statement of why DFID is working with some states and not others. This is particularly important where DFID or its programmes are scaling back their support to a state.

| |
|--|
| 2. There should be a clear MoU with each partner state, setting out time-bound deliverables on each side. |
|--|

4.7 There seemed to be a unanimous view that SLGP's work would have benefited from a clear MoU between DFID and the partner government. Without this, DFID has been in a less strong position to pressure governments to live up to specific commitments, particularly over resource allocation to service delivery and poverty reduction.

4.8 Any successor programme should have a clear MOU with each partner state that contains time-bound deliverables for both parties.

4.9 The Statements of Partnership Principles and results matrices currently being developed with lead states are a good starting point, but they will not be sufficient on their own. A further level of detail needs to be agreed.

4.10 In several countries DFID has used a Platform Approach to public financial management reform, which might provide some useful models for developing these MoUs. In this approach, donors and government agree medium-term reform plans for financial systems, not in terms of inputs (e.g. an IFMIS) but in terms of clearly understood outcomes. For example, a first “platform” might be that the budget provides a reliable guide to spending plans (something that is not yet the case in any SLGP partner state).

Standardisation vs State-led approaches.

4.11 From the outset, SLGP has tried to tailor its support to the local context in each state. This is good development practice at a national level, and in Nigeria, where States have a significant degree of autonomy under the Constitution, it is good practice at state level as well. “One size fits all” approaches imposed from Abuja do not have a good track record.

4.12 However, this does not mean a total lack of consistency between states. Local ownership can be achieved within a common framework. SLGP has used the SEEDS framework as a basis for developing work plans with states. Other international best practice like the PEFA framework will also help to provide some consistency.

4.13 There is also an argument for limiting a programme’s engagement in different sectors, so that one programme does not need to find different types of sectoral expertise. This is particularly important if the successor to SLGP continues to support practical service delivery projects alongside more conventional capacity building.

4.14 One issue discussed during the review, but not resolved entirely, is whether a future programme should allocate more resources to states with a larger population, or those where the development need is greater. Arguably for a programme like SLGP, which provides technical assistance for reforms, assistance should be demand driven, with more support being given to those states whose governments are prepared to commit to more ambitious reforms. However, there may be a case for allocating more programme management resources to larger states.

Issues-based Projects.

4.15 There is enough evidence from SLGP’s experience that issues-based projects add value to a programme like SLGP. Section 2 sets out some of the reasons for this, but in brief:

- a) They 'concretise' governance reform, demonstrating links between reform and tangible services. This is probably more important for a new partnership than one that is already established.
- b) They enable a programme to work with government officials and identify all the obstacles to better service delivery, not just the obvious ones. This remains an important benefit even for a well established partnership.
- c) In the absence of a change to the constitution, they seem to offer the best prospect for incentivising real change in governance at Local Government level.

4.16 If IBPs are to be used in future programmes, SLGP provides some useful lessons. For example, if a governance programme is going to invest in infrastructure or direct service improvements, it needs to bring in the right engineering and sectoral expertise. It may not be efficient for a governance programme to bring in expertise in a wide range of sectors. Therefore where possible, a future programme should link its service delivery work to other sectoral programmes. Where it is going to invest directly in infrastructure, the necessary technical expertise needs to be present. Above all, the programme needs to be clear on what sort of institutional change it is trying to bring about through an IBP, to design the IBP to maximise the chance of these changes being achieved, and monitor whether those changes are happening.

Demand side and civil society.

| |
|--|
| 3. Future state-level governance work needs to be linked to strengthening of the demand side. |
|--|

4.17 As Section 2 concluded, a programme like SLGP can open up the space for civil society to operate, but it may not be able to go further and actually strengthen the capacity of civil society.

4.18 However, the demand side is important. Several of the key reforms that have not yet happened at state level and need to happen – for example setting more realistic pro-poor budgets and sticking to them – would be more likely to happen if there was a better informed demand side with the capacity to ask the right questions. In any future programme, some sort of demand side work needs to be considered.

4.19 This demand side work should not be totally detached from work on the supply side. There have been several donor projects in Nigeria that have tried to build civil society capacity for budget monitoring. Some have focused too much on the budget and not on implementation – so that, for example, impressive gender analyses are done of budgets that will never be implemented. Others try to look at budget implementation but find, at all levels of government, that it is remarkably difficult to get information on actual expenditure.

4.20 There are several models that could be tried:

- a) A separate programme – e.g. DFID’s Coalitions for Change – but with clear arrangements to share experience with the supply side work;
- b) A component of the programme focusing on the demand side, but at arms length from the supply side work and with a different managing contractor (possibly an NGO). This is the model used by SRIP; or
- c) Clear links to a sectoral programme that also works with the demand side.

Synergy issues.

4. Joint multi-sectoral programmes are not needed for synergy at state level – but more could be done to get programmes working together systematically.

4.21 The Joint Inception Review in 2003 identified a number of issues of synergy between DFID’s state level programmes. It has been suggested since then that a single multi-sectoral programme would be more appropriate than separate sectoral programmes at state level. However, there is concern that this type of ‘mega-programme’ would be difficult to manage, and that there would be few managing contractors with the capacity to take it on.

4.22 This review saw enough evidence of effective joint working between SLGP and PATHS – DFID’s health systems programme – to conclude that separate programmes can work together effectively at state level. However, there is still scope for this to be more systematic. Synergy could be designed into the next generation of programmes, by requiring them to produce joint work plans, for example, or joint progress reports.

5. The design of new state programmes should include a strategy to support pro-poor growth at state level.

4.23 At the moment at least two DFID programmes are working on growth issues at state level. There is some joint working between them, but for both of them, growth issues were added on during the course of the programme, and there is no clear overall growth strategy at a state level. The plan is that these strategies will be developed on the basis of forthcoming surveys of the investment climate at state level.

Management Issues.**6. State offices are essential – but different models could be considered.**

4.24 Like SLGP itself, any successor programme that wishes to have a serious engagement at state level will need to have a full-time presence in each state. However, there are different options that could be considered. Two alternatives have been used with some success within SLGP: secondment of a Programme Officer from the state government (Lagos) and embedding consultants within a key agency (FCTA).

4.25 Another option being tried by SLGP in Kaduna, which could also be considered in a future programme, is for the whole programme management to be embedded in a state government agency. Ideally this should be an agency that has overall responsibility for the sort of reforms that SLGP is supporting – otherwise the programme risks being marginalised. This model may be tested out in SLGP's forthcoming work in Kaduna.

7. Consider separate budgets for local government work.

4.26 A decision needs to be taken on whether a subsequent programme will try to work at Local Government level as well as at state level. Section 2 sets out some good reasons for doing so.

4.27 SLGP experience has been that Local Government was marginalised within the programme in the early stages. To prevent this happening again, it would be worth considering including in a successor programme separate outputs – and possibly a separate budget – for work at local government level.

4.28 However, as the SLGP experience shows, this work should not be undertaken in isolation from work at the state level, because many of the reasons why local government is not functioning can be found at that level.

8. Consider international PFM and PSR expertise.

4.29 The successor programme will work in an environment where donors are looking to move towards programmatic support at state level. Improving states' public financial management will therefore be a high priority, and any successor to SLGP is likely to be at the forefront of that work.

4.30 A successor programme will therefore need a dedicated public financial management specialist, either full-time in country, or on a frequent call-down arrangement. The role of this person will be similar to the role envisaged for a PFM specialist in the remaining year of SLGP.