MSC Synthesis Note (JANUARY 2024)

PERL's Contribution to

Improvements in Budget Processes in FCDO's Partner States in Nigeria (2016 to date)

Preamble

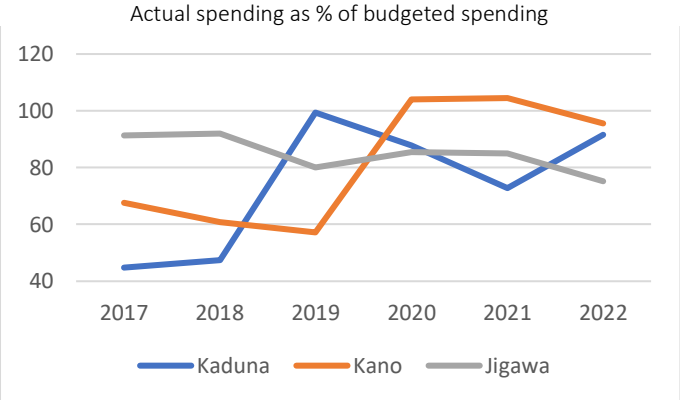
Since 2016, the PERL programme has supported improvements to budget processes in Kaduna, Kano and Jigawa covering aspects of budget coherence, effectiveness, transparency and citizen participation. This note provides an overall synthesis of evidence on PERL's contribution to changes observed in the three states over the eight years of PERL programming. It begins with a summary of the key results in terms of improvements in budget processes (Section 1). It then summarises evidence on how PERL contributed to these changes (Section 2) before reviewing lessons learned on the effectiveness of PERL's approach (Section 3). The note concludes with an assessment of the likely sustainability of reforms and recommendations for future programming (Section 4).

1. Results

Over the course of the PERL programme there have been significant improvements in budget processes in Kaduna, Kano and Jigawa in the following areas:

Budget performance. In all three states there have been large and sustained improvements in budget performance as measured by the ratio of actual expenditure to budgeted expenditure (Figure 1).

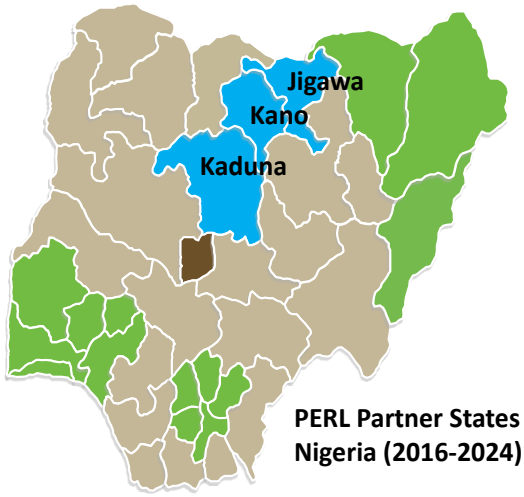
Figure 1 – Budget performance in FCDO supported states



Source: PERL PFM database. NB Future version of this paper to compare budget performance in KKJ states with regional and national trend (analysis of NGF database – forthcoming)

Budget realism. In all three states the capacities of key stakeholders to carry out fiscal forecasting have been enhanced, leading to better fiscal management, budget realism and improved budget performance.

Budget documentation and presentation. The capacity of key actors to produce timely and complete budget documents has increased in all three states. All three states are now presenting their budgets in line with the National Chart of Accounts. Jigawa has fully implemented the programme segment of the National Chart of Accounts in the 2023 budget, which enables disaggregation of spending on women and girls in the health and education sectors and makes Jigawa State the most advanced of the 36 States (and Federal Government) in the application of the programme segment coding.



PERL Partner States in Nigeria (2016-2024)

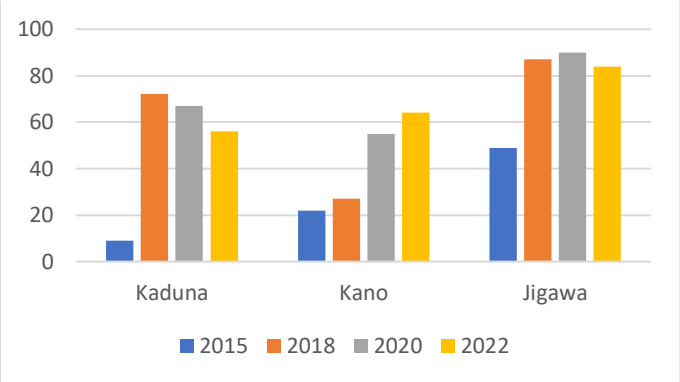
Adherence to budget process and timeline. All three states are adhering more closely to the budget process and timeline enabling more effective budget consultations, legislative oversight and timely releases of funds.

Policy-budget linkages. Since 2016, all three states have achieved stronger alignment between their state and sector development policies and plans and their annual

budgets. State development planning processes, Medium Term Sector Strategies, sectoral annual operation plans and Local Government Development Plans (Kaduna only) have been consistently strengthened leading to increased and more reliable budgetary allocations to critical sectors.

Improvements in budget transparency. All three states have made significant improvements in budget transparency as measured by the Nigerian States Budget Transparency Index where Jigawa, Kano and Kaduna states current rank first, second and eight out of the 36 Nigerian states respectively (Figure 2). This performance has been driven by the participation of the three states in the Open Government Partnership (OGP), for which Kaduna was the first state level member in Nigeria. Participation in the OGP has also enhanced access to budget documents and performance reports so enabling citizens to carry out analysis and use findings to engage with government and stakeholders during budget processes.

Figure 2 – Nigerian States Budget Transparency Index



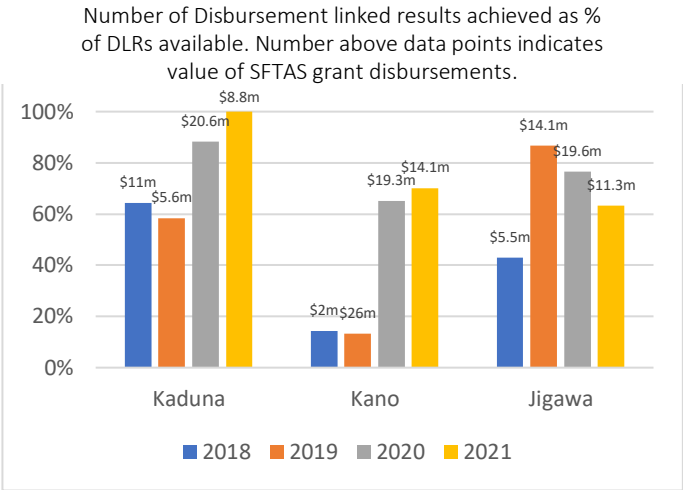
Source: CIRRDOC Nigerian States Budget Transparency Index. NB Future version of this paper to compare budget performance in KKJ states with regional and national trend.

Citizen participation. All three states have developed and institutionalised mechanisms to ensure greater citizen participation in determining budget priorities. Kaduna state introduced Community Development Charters (CDC) in 2017 to ensure citizens' involvement in planning and budgeting processes. Between 2017 and 2022, the value of CDC identified inputs in in the 23 LGAs increased from 35% to 54% of the total annual budget. In Kano citizen identified projects represented 28.7% of the total 2023 budget. The level of citizens inputs captured in Jigawa's 2023 budget reached 17% of the total budgeted expenditure.

Legislative oversight. All three State Houses of Assembly are overseeing the budget process more effectively and adhering better to the calendar for legislative review of the budget. State Houses of Assembly have institutionalised processes for public scrutiny of budget processes, including the use of public hearings. In Kaduna public hearings have been extended to the Local Government budget.

State Fiscal Transparency, Accountability and Sustainability (SFTAS). All three states have been among the top 25% of performers in the most recent two Annual Performance Assessments for the World Bank's SFTAS programme for results. The percentage and value of Disbursement Linked Results achieved by the three states is shown in Figure 3. Kaduna has achieved consistently good performance for budget and expenditure performance, publication of budget documents, citizens inputs into the budget, management of expenditure arrears, procurement and e-procurement. Kano has achieved much improved budget and expenditure performance, publication of citizens' input into the budget, procurement and e-procurement and debt management. Jigawa has performed well across nearly all aspects of the annual performance assessment and has been a lead recipient of SFTAS grants.

Figure 3 – Performance of FCDO supported states in World Bank SFTAS programme



Source: World Bank SFTAS Annual Performance Assessments. NB future version of this paper will compare performance of KKJ states with northwestern and Nigerian average.

PERL considers that budget reforms are far advanced in all three states. In Kano and Jigawa states, PERL assesses the reforms as having reached the stage of 'extending islands of reform' where improved practices cover the major part of governance

systems and have extended beyond the original areas of improvement. In Kaduna, budget reforms have reached the stage of 'transformational, systems-wide change', where improved practices have become the norm, are fully accepted, and built into governance systems supported by well-established processes including legislation. These reforms have had a positive impact on service delivery, which PERL assesses as having been 'moderate' in Kaduna and Jigawa and 'substantial' in Kano.

2. How did PERL contribute to these results?

The results indicated in Section 1 are mainly attributed to budget reform processes led by the partner states. These reforms have been supported by several development programmes including PERL and the World Bank SFTAS program. PERL's main contributions can be summarised as follows:

Fiscal planning templates. In all three states PERL has trained government officials in the use of PERL toolkits and templates, including fiscal forecasting and planning tools (Economic and Fiscal Update, Fiscal Strategy Paper and Budget Policy Statement EFU-FSP-BPS), Medium Term Expenditure Framework, Medium Term Sector Strategies, budget performance monitoring tool, improved expenditure coding according to the National Chart of Accounts and debt sustainability analysis. PERL support to the EFU-FSP-BPS process has been critical to achieving more realistic revenue projections and budgeting. The templates and tools developed by PERL are designed to promote adherence to the budget calendar and to enable key consultative, legislative, reporting and oversight processes to take place at the appropriate time. In most cases, states have now gained sufficient capacity to make effective use of these tools with minimal PERL support, allowing PERL to scale back its engagement to a training, mentoring and backstopping role.

Evidence gathering. PERL has worked with state governments to conduct Rapid Annual Assessments (RAA) of the strengths and weaknesses of a wide range of public financial management processes to identify reform priorities. All states have shown a positive improvement in RAA scores over the duration of PERL programming (Annex 1). In addition, PERL has supported Public Expenditure and Financial Accountability (PEFA) Assessment processes at state level and has facilitated learning and reflection sessions for public financial management stakeholders.

Open Government Partnership Kaduna #OGPLocal

Support to budget transparency and the Open Government Partnership. PERL has supported states to develop and implement their OGP State Action Plans to promote budget transparency and accountability. For example, in Kano PERL provided technical support to ensure the timeliness and quality of the 2020 Citizens' Accountability Report document. In Kaduna, PERL provided support for the publication of the Citizen's Budget and organisation of open budget hearings.

Legislative oversight and audit processes. PERL has supported the three State Houses of Assembly to strengthen legislative oversight and consultative processes on the budget. In Kaduna, PERL supported the House Committee on Appropriation to initiate public hearings on the budget. The Public Accounts Committee has been supported to review audited financial statements for three years and ensure proper follow-up on audit recommendations.

Facilitating citizen inputs into the budget. In Kaduna PERL supported the establishment and strengthening of the Community Charters of Demand (CDC) process and the integration of CDC identified projects into the state and local government budget. In Kano PERL supported citizens groups to generate inputs across all 44 Local Government Areas for submission to Ministries, Departments and Agencies and to the State House of Assembly during the public hearing for incorporation to the budget. In Jigawa civil society organisations mentored by PERL played a critical role in generating, collating, and defending citizens' submissions to the annual budget. Evidence of increased citizen engagement in budget processes is provided by the PERL Constituency Influencing Assessment, which shows increased citizen engagement, representation and inclusion in budget (and other open societies processes) across the three states over the course of the PERL programme (Annex 2).

Media. PERL has supported media organisations to cover budget preparation and tracking, including several radio programmes. Citizens' groups have also been supported to make use of social media and new innovations in Information and Communication Technology to

strengthen budget advocacy and monitoring (e.g. Kaduna Eyes and Ears Project).

Procurement reforms. In Kaduna PERL supported the introduction of e-procurement systems and publication of procurement data, including compliance with Open Contracting Data Standards. In all three states PERL has supported citizen-led monitoring of procurement processes with a particular focus on citizen tracking of publicly procured projects in education, health, and infrastructure, to track the level of implementation and monitor compliance with standard procedures.

Debt management. In Jigawa PERL provided technical assistance to the Debt Management Unit on debt management processes (including quarterly debt reporting) and to undertake Debt Sustainability Analysis.

Monitoring and evaluation (M&E). In Kano PERL worked with the Ministry of Planning and Budget to develop a Sector Results Management Framework (from the State Development Plan), an M&E Coordination Strategy and a M&E Manual to ensure that the newly established Monitoring and Evaluation department functions effectively.

SFTAS

States Fiscal Transparency, Accountability and Sustainability.

Support for SFTAS processes. In all three states PERL has supported state governments to conduct SFTAS readiness assessments and to implement specific measures required for achieving Disbursement Linked Results. In Jigawa this has included reinstating the PFM Core Group to manage the requirements of the SFTAS program. In addition, local government level budget and budget performance reporting templates have been developed to enable the state to extend SFTAS requirements to the local government level. A citizens' Guide to SFTAS has also been developed and disseminated. With the completion of the SFTAS programme, PERL is supporting the preparation of SFTAS Sustainability Plans and Sustainability Assessments in the three states.

3. What did PERL Learn?

The lessons learned from PERL support to budget processes in Kaduna, Kano and Jigawa are in line with broader observations on PERL's theory of change and theory of action, and can be summarised as follows:

Budget reforms have contributed to improvements in service delivery in multiple ways. The experience of PERL has demonstrated the close connection between improvements in budget management, increased allocation of resources to priority sectors (in particular, health and education) and service delivery improvements. There are several mechanisms explaining these linkages, including: (1) improved efficiency in managing public finances as a result of increased budget realism and timeliness resulting in more predictable release of funds, (2) stronger pressure to allocate resources in response to citizens' demands as a result of greater budget transparency and citizens' greater participation in budget processes and (3) increased accountability for the use of public funds, reduced waste and diversion resulting from improved oversight by the State House of Assembly, Office of the Auditor General and civil society organisations.

Well timed and well-designed technical assistance has made a significant difference to the quality and timeliness of budget processes. Through use of appropriate tools and templates, developed and adapted to the context of Nigerian states, PERL has built technical capacity in Kaduna, Kano and Jigawa to manage budgets more effectively, particularly by ensuring budget realism and adherence to the budget timetable. PERL has adopted a long-term strategy to building this capacity by providing a sequenced package of technical assistance, training, mentoring and backstopping to state governments, which has paid substantial dividends since partner states are now able to conduct these processes with minimal external support.

Citizen participation into the budget process has gained significant traction. In combination with the supply-side technical assistance provided to state governments, PERL has promoted demand-side measures to enhance citizen participation in budget processes. In all three states there has been rapid progress in developing mechanisms for citizens to express demands and to include these in budget planning and delivery. These processes have proven popular with communities and political leaders looking to signal their responsiveness to local demands.

A locally-led, problem-driven, politically-smart approach has been essential to achieving results. PERL has achieved influence and results by carefully adjusting and sequencing its mix of technical assistance to government and support to citizen participation in line with the political economic context of the state. It has adopted a politically smart approach to building support for budgetary reforms by identifying and backing reform champions in government and civil society and responding to their demands for assistance. Within government this has included a mix of high-level engagement with political leaders to generate political commitment and long-term support to mid-level civil servants interested in building technical skills and lasting capacity to sustain improvements in budget processes. In relation to civil society capacity building, PERL has been careful to select partners with a genuine interest in strengthening budget processes, strong connections with communities and the ability to operate effectively as part of a multi-stakeholder coalition engaging constructively with government. PERL has supported these actors to conduct their own analysis of the political economy context and develop their influencing strategies accordingly.

Making timely evidence available on PFM performance has been critical to the reforms. PERL's support to the Rapid Annual Assessment processes in the states has been critical for generating evidence on the strengths and weaknesses of budget processes and fostering dialogue with state governments on priorities for reform. By closely involving partner states in the assessment process, PERL has been able to build awareness and commitment to budget reforms within government, so strengthening local ownership and sustainability of the reform process.

PERL made effective use of the opportunities for collaboration with the World Bank SFTAS program. PERL and SFTAS have performed complementary and supporting roles that have accelerated the budget reform process in the partner states. The opportunity to access SFTAS grants has provided a significant financial incentive for state governments to undertake reforms and increased demand for technical assistance provided by PERL to help states meet the conditions of the Disbursement Linked Results. The combination of these two instruments has been a powerful driver of reform.

4. Sustainability and Recommendations for Future Support

PERL assesses that budget reforms have reached a high level of sustainability in the three states. In all three states budget reforms are agreed as a priority by a wide variety of actors, are politically accepted with responsible owners, are supported by functioning institutional frameworks, suitable financial arrangements and competent organizations with skilled staff and supporting laws at state and national level. In addition, the reforms are supported by voice and pressure from citizens, media, the legislature and well-established accountability mechanisms. The sustainability of these reforms has already been demonstrated by PERL's ability to scale back its support and transfer responsibility to state partners who are now able to continue to deliver improved budget processes with limited external support.

While recognising the sustainability of budget reforms, it is likely that continued light touch support will be required from future development programmes to ensure further improvements in budgets and to guard against the risk of policy reversal. Under conditions of fiscal constraint and in the highly competitive political context of Kaduna, Kano and Jigawa (especially Kano), the discipline achieved by the states in bringing about more realistic, coherent, timely, transparent and participatory budget processes can be rapidly eroded. This is a particular risk following the simultaneous completion of the PERL and SFTAS programmes, pointing to the importance of developing and implementing robust sustainability strategies during the final year of PERL programming.

There will also be opportunities for future programmes to support the further deepening of budget reforms, particularly in the following areas:

- Further improvements to the quality of citizen participation in budget formulation, as well as civil society and legislative oversight of budget execution and project implementation.
- Support the development of participatory and well- structured budget processes at local government level. This is most relevant in Kaduna where local government has been granted greater fiscal autonomy. Other states can be expected to follow.
- Extending the work already started by PERL in Jigawa and Kano on gender disaggregated budgeting.