

Public Financial Management

Good public financial management (PFM) promotes fiscal discipline, optimises allocation of public resources and ensures value for money in the implementation of governmental strategic priorities. PFM systems that function properly enable governments to account to citizens for the use of public funds. This accountability is central to creating a relationship of mutual trust and consensus between government and citizens. The Nigeria Governors' Forum (NGF) plays a key role in driving and coordinating PFM reforms across the Federation's 36 states.

In June 2013, commissioners, permanent secretaries, special advisers and directors, from 24 states¹, together with development partners, policy and financial management practitioners, and consultants, exchanged experiences in PFM at an interactive workshop organised by the NGF Secretariat in collaboration with the State Partnership for Accountability, Responsiveness and Cooperation (SPARC) and the World Bank. The workshop, on the theme **Public Financial Management as a Tool for Fiscal Sustainability and Service Delivery**, had the following objectives:

- To obtain feedback on issues and challenges in implementing PFM reforms at the sub-national level and identify any needs-based technical assistance required by states
- To provide a platform for peer learning, information exchange and knowledge sharing on good PFM practices
- To expose participants to the experiences of Anambra and Ekiti States in the recently concluded State Peer Review Mechanism (SPRM) process
- To foster networking and professional development among high-level PFM officials across the 36 states and allow them to compare notes so as to accelerate PFM reforms.

This brief summarises the deliberations of the workshop and the lessons learned.

Budgeting and budget realism

Across states, information to prepare budgets is usually inadequate or unavailable. Due to time constraints and a lack of staff capacity, most budgets tend to be based on inadequate data. Interventions from the executive and legislative arms of government at various stages of the budget cycle are liable to raise projected expenditure without commensurate increases in anticipated revenue.

¹ Anambra, Bauchi, Benue, Cross River, Ebonyi, Ekiti, Enugu, Gombe, Edo, Imo, Jigawa, Kaduna, Kano, Kebbi, Kogi, Lagos, Nasarawa, Niger, Oyo, Rivers, Sokoto, Taraba, Ogun and Zamfara



Lessons learned

- Ongoing capacity building and training for key personnel in finance and planning ministries is required to improve planning processes and strengthen the relationship between preparing budgets and implementing them
- There is a need to help political office holders understand the importance of budget processes so as to minimise undue political intervention in implementing budgets
- Participatory and inclusive budgeting processes enable all stakeholders, including non-state actors and citizens' groups, to contribute to the process of developing budgets.

Public procurement

Most states in the Federation have laws to regulate public procurement. These laws provide the legal framework for procurement, and promote professionalism, standards and transparency in procurement processes. However, the capacity of staff responsible for public procurement is still inadequate in some states and requires ongoing capacity development.

Lessons learned

- Standardise tools for pricing goods and services within states
- Raise awareness of public procurement processes, tax reforms and budget processes among key stakeholders in states.

Internally generated revenue

Internally generated revenue (IGR) is important to economic growth in states. Recognising this, state governments are increasingly taking action to promote IGR. State laws regulating IGR have had varying levels of success. Revenue leaks are a major area of concern and addressing these will significantly improve receipts.

Lessons learned

- Automating collection of IGR will build transparency and has the potential to reduce costs
- States should develop databases of taxpayers and institutions, particularly in the informal sector, to provide a baseline for monitoring and implementing tax reforms and setting tax targets
- State and local governments need to harmonise strategies and work together to mobilise revenue.

Institutional reform and capacity building

Most states have legal frameworks governing public procurement, fiscal responsibility and public debt management. Most states also have adequate institutional frameworks, planning commissions, bureaus of public service reform and debt management departments. Challenges to the effectiveness of these institutions, such as a lack of adequate reliable data for planning, and inadequate skills and information and communications technology support systems, are issues of concern.

Lessons learned

- States need to embrace information and communication technologies in order to strengthen PFM reforms, share information and build capacity
- State Houses of Assembly need to fast-track bills to institutionalise PFM reforms into law so as to ensure smooth transitions and minimal interruption to PFM processes during political changes
- Setting up communities of practice for budgeting and planning officials and finance commissioners will encourage the sharing of information, exchange of knowledge and peer learning.

Public finance audits, accountability and reporting

Compromises between internal and external auditors, and a lack of full disclosure by key ministries, departments and agencies in audits and reports, undermine the credibility of state public finance audits. States need to ensure that end-of-year financial reports are complete, on time and shared widely.

Lessons learned

- State Houses of Assembly should scrutinise audit reports and prescribe sanctions where there are infractions.

Effectiveness of PFM legislation and legislative oversight by State Houses of Assembly

Most State Houses of Assembly have demonstrated their enthusiasm and commitment to PFM reforms by passing laws on public procurement and fiscal responsibility. However, all State Houses of Assembly need to pass such laws and strengthen oversight of budget implementation.

Lessons learned

- There is a need for advocacy to encourage State Houses of Assembly to actively oversee PFM reforms.

Regularly sharing best practices and peer learning among states fosters strong and cooperative working relationships for the development of states and the Federation. The NGF is working closely with SPARC and the World Bank to provide platforms for states to compare notes, discuss issues and challenge one another to better results in PFM and other areas.

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