

### Public Financial Management

#### Introduction

Nigeria's oil generates substantial government revenue. While the Federal Government distributes significant funds to states, not enough reaches schools to create an effective learning environment for pupils. Schools do not have quality teachers, good educational materials or adequate facilities.

However, throughout Nigeria there is a growing desire to improve the quality of basic education. To do this opaque financial management in education must be reformed. ESSPIN is supporting the aspiration for better education by helping states to develop planning and financing systems that will streamline and make the flow of funds to schools effective and transparent, and hold those responsible to account.

#### What is ESSPIN's approach?

Reforming financial management in education is important because state budgets for education currently do not reflect strategic priorities. The custom has been to draw up annual budgets by updating the previous year's budget. The result is that money is not allocated to high priorities.

Adding to the problem, waste, corruption, lack of control over expenditure, opaque and uncompetitive procurement practices, and unsupervised capital projects mean that only a fraction of the budget allocation is used appropriately.

Most of the funds for basic education are channelled through State Universal Basic Education Boards (SUBEBs). But SUBEB financial systems are inadequate, staff rarely have appropriate training, and procedures for supervising and reporting expenditure are weak.

Further along the funding channel, there are more difficulties. Local Government Education Authorities (LGEAs) and schools generally do not prepare their own plans and budgets and have to rely on what states allocate. Even then they have difficulty in getting hold of money when they need it. This means local authorities, schools, head teachers and communities have their hands tied when it comes to trying to improve education.

**esspin**

Education Sector  
Support Programme  
in Nigeria



**UKaid**

from the Department for  
International Development

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## Strategy

ESSPIN's four-point strategy for supporting better financial management in education is to:

Help states to build robust educational financial management systems in which strategies drive priorities, priorities drive budgets and budgets are used appropriately (see also ESSPIN Briefing Note 1 Strategic Planning and Medium Term Sector Strategy).

Help states to put in place measures that make corruption difficult.

Help the federal Universal Basic Education Commission, State Universal Basic Education Boards and Local Government Education Authorities to set up financial management systems that will streamline the flow of funds.

Help schools and communities to develop greater autonomy by building their skills to plan, budget and manage devolved funds.

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## Action plans and budgets

The push to streamline the flow of funds to schools and make the flow more transparent is growing in both the federal Universal Basic Education Commission and states. States now prepare Action Plans that guide the development of annual state budgets for education. All parts of state education systems prepare Departmental Work Plans for the overhead component of state recurrent budgets.

As a result of going through the planning process and preparing annual education budgets, states have already made substantial changes. SUBEBs are reviewing their financial management systems. Boards are identifying where, for example, procurement needs to be reformed to prevent corruption and are directing state teams to implement recommendations.

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## Future challenges

The move to programme and activity-based budgeting to turn Medium Term Sector Strategies into action is perhaps the greatest challenge faced by states.

The sheer magnitude of streamlining flows of funds for education through SUBEBs to hundreds of local authorities and thousands of schools is enormous. Powerful vested interests in the SUBEBs that control the flow of federal funds to local education authorities and schools are another challenge. It will take time for SUBEBs to devolve funds. It will also take time for Local Government Education Authorities, schools and school-based management committees to build the skills and systems they will need to manage devolved resources.

Complementing ESSPIN's approach, the DFID State Partnership for Accountability, Responsiveness and Capability (SPARC) programme is working with state Ministries of Planning and Budgeting to speed up budget reforms. SPARC will also help SUBEBs and Local Government Education Authorities rationalise and make financial systems more transparent to improve payment to schools.

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<b>ESSPIN support to public financial management for education</b>	<p>Helps put in place an annual cycle of planning, budgeting and reporting</p> <hr/> <p>Helps the main channels for education funding – State Universal Basic Education Boards, State Ministries of Education and Local Government Education Authorities – rationalise and make financial systems more transparent</p>	<p>Helps mend holes in the pipelines for capital funds and teachers' salaries to prevent leaks</p>	<p>Helps reorganise State Universal Basic Education Boards, Local Government Education Authorities and state Ministries of Education to improve financial management (see also ESSPIN Briefing Note 3: Organisational Development and Management)</p> <hr/> <p>Supports decentralisation</p>
<b>Departmental Work Plans and Budgets</b>	<p>First step towards activity-based budgeting</p> <hr/> <p>Translate plans in state Medium Term Sector Strategies to specific activities in the annual recurrent and capital budgets</p>	<p>Set out exactly what departments will do in the financial year – both routine and development activities</p> <hr/> <p>Specify staff responsible for carrying out activities and match activities with staff complements</p> <hr/> <p>Provide baselines for assessing how budgets are used</p>	<p>Help those involved understand how annual Departmental Work Plans relate to Medium Term Sector Strategies, and build skills for preparing subsequent Medium Term Sector Strategies</p>

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