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(ESSPIN)**

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## Note on Documentary Series

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The documentary series is arranged as follows:

- ESSPIN 0-- Programme Reports and Documents
- ESSPIN 1-- Support for Federal Level Governance (Reports and Documents for Output 1)
- ESSPIN 2-- Support for State Level Governance (Reports and Documents for Output 2)
- ESSPIN 3-- Support for Schools and Education Quality Improvement (Reports and Documents for Output 3)
- ESSPIN 4-- Support for Communities (Reports and Documents for Output 4)
- ESSPIN 5-- Information Management Reports and Documents

Reports and Documents produced for individual ESSPIN focal states follow the same number sequence but are prefixed:

- JG Jigawa
- KD Kaduna
- KN Kano
- KW Kwara
- LG Lagos

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## Acronyms and Abbreviations

ESSPIN	Education Sector Support Programme in Nigeria
FMoE	Federal Ministry of Education
IFMIS	Integrated Financial Management Information System
LGEA	Local Government Education Authority
MDA	Ministries, Departments and Agencies
MoU	Memorandum of Understanding
MTSS	Medium Term Sector Strategy
PFM	Public Financial Management
SAVI	State Accountability and Voice Initiative
SBMC	School Based Management Committee
SMoE	State Ministry of Education
SPARC	State Programme for Accountability, Responsiveness and
SUBEB	State Universal Basic Education Board
UBEC	Universal basic Education Commission

## Introduction

1. The approach paper on public financial management (PFM) (John Kruger, May 2009) provided an elegant and comprehensive review of the literature on PFM issues in the Nigerian education sector and a systematic review of instruments and interventions potentially available to address these issues at different stages of the budget cycle. In November 2009, the incoming PFM task leader (John Gray) prepared an initial PFM position paper (dated 3 November 2009), which set out an overall approach based on the experience to date and defined a three-step process to clarify the issues and define the intervention approach in each State. During November and December 2009, this approach was applied in Lagos, Kano, Kaduna and Jigawa, in addition to earlier work in Kwara. Building on the results of these reviews, this document is a revised PFM position paper intended to guide ESSPIN PFM interventions in the 18 months up to July 2011.

## Preliminary: what is PFM?

2. PFM is concerned with the proper management and application of public financial resources to achieve the set of objectives established for the public sector. PFM, accordingly, covers a broad range of fields of public sector activity including all the stages of the planning and budgetary cycle, the functioning of public sector agencies responsible for the discharge of public funds, and the laws, regulations and systems established to ensure transparency accountability and full reporting on the use of public sector resources and funds. In terms of ESSPIN activities, PFM embraces several workstreams established in the period since the start of the project (including legal reform, planning / MTSS, organisational review and M&E) since all of these activities are directed towards improving the efficiency and effectiveness of the use of public funds to achieve objectives.

## The core PFM problem

3. From a PFM point of view, the core problem afflicting the education sector in most if not all the ESSPIN states is the inadequacy of the systems for financial management and control and a pervasive lack of transparency and accountability for funds. Where there are major loopholes in systems for ensuring accountability there is a high probability that a significant proportion of the resources being made available for basic education are not being used effectively, in extreme situations are being stolen and are, accordingly, bringing little or no benefit to the developmental aims of the sector. The challenge for PFM in the BE sector is to help the states to put in place effective systems covering all stages of the planning and budget cycle – including (a) improved strategic formulation as the basis for achievable and prioritised plans based on sound analysis of the actual situation on the ground and underlying trends in the sector; (b) the formulation of annual and multi-annual budget proposals based on the strategies adopted and on realistic forecasts of likely resource

availability to the sector; (c) sound systems of budget execution which ensure that budgets are executed as planned and that public funds are utilised for the purposes for which they are appropriated, (d) systems for monitoring and reporting on progress achieved in the implementation of plans and budgets. In many of the agencies responsible for basic education planning and service delivery these basic elements of any reliable budget cycle management system exist in only the most rudimentary form, if at all. In this situation the risks are very high that public funds will not be applied effectively and that even very substantial budget allocations will have only limited impact on the learning experience at the school level. There is a large body of evidence that this is the actual situation prevailing in the basic education sector.

4. The inadequacies of the systems for budgetary cycle and financial management in the state agencies are compounded by an environment characterised by a lack of transparency and accountability.

### Major ESSPIN PFM concentration areas

5. The different elements of the approach to PFM are closely related to each other and the greatest impact is likely to be achieved through an overall approach which brings together several elements. It is, however, useful for the purpose of clear conceptualisation of the programme to identify some core concentration areas. In this context, the following six main concentration areas for improving PFM in the basic education sector in the ESSPIN States have been identified:
  - (i) **Budget cycle reform:** Strengthening the budget cycle for the MDAs involved in the application of public funds in the sector  
*Characteristic activities include:* strengthening of planning through the MTSS process; activity planning leading to programmatic budgeting in the MDAs and agencies; supporting development of budget monitoring
  - (ii) **Organisational reform:** Support for making the key enabling and service delivery organisations more fit for purpose and more effective in discharging their responsibilities.  
*Characteristic activities include:* organisational reviews and visioning; organisational restructuring; management systems development (including accounting and financial management systems); tightening of procurement practices to conform to federal and state regulations; human resources development
  - (iii) **Transparency:** Support for increased transparency in sector management and the flow of resources to beneficiaries  
*Characteristic activities include:* setting guidelines and benchmarks for ex ante and ex post publication of intended and actual resource flows, especially those passing through SUBEBs and the LGEAs; promotion of the MoU concept to strengthen sector-wide stakeholder buy-in and enforcement of greater transparency

- (iv) **Direct funding to schools:** Advocacy of direct funding for schools in support of strengthened school and community participation in sector management  
*Characteristic activities include:* initial research on experience with direct funding schemes; support for Federal Ministry of Education to move towards an explicit policy on direct funding for schools; advocacy with State governments and the main agencies to adopt direct funding for a substantial part of the total resource flows to schools
- (v) **Legal framework:** Strengthening of the legal framework to provide clarity on institutional mandates and the necessary framework for sector oversight and accountability  
*Characteristic activities include:* legal reviews of Federal and State UBE and related legislation; support for reform of these legal instruments
- (vi) **Monitoring and evaluation:** Support for strengthening the information base for planning  
*Characteristic activities include:* support for annual census of schools, teachers and classrooms; development of the annual education sector review as an instrument in support of planning; support for monitoring and evaluation of MDA and agency programme effectiveness; budget expenditure tracking

### Anti-corruption as a cross-cutting theme

6. Corruption and lack of accountability has been identified above as a core problem which ESSPIN must help the states to address if the wider ESSPIN objective of assisting the States to make more effective use of existing resources is to be achieved. It should be noted, however, that the theme of supporting improved accountability is one which cuts across all the concentration areas outlined above. The table below summarises the specific contribution which each of the concentration areas can potentially provide to supporting increased accountability. The annex provides an analysis of the corruption issue in basic education and sets out a range of approaches which can be adopted to limit the scope for corruption.

**Table 1: Contribution of PFM activity groupings to improved accountability**

Activity grouping	Specific contribution to enhanced accountability and anti-corruption
Budget cycle reform	<ul style="list-style-type: none"> <li>• Improved planning reduces wastage of sector resources on frivolous projects</li> <li>• Strengthened budget execution reduces scope for diversion of funds to other purposes within or external to the sector</li> <li>• Enhanced value for money by making the budgetary management more results oriented</li> <li>• More effective role of the State House of Assembly Finance and Public Accounts Committee</li> </ul>
Organisational reform	<ul style="list-style-type: none"> <li>• Strengthened internal accounting, financial management and reporting systems</li> <li>• Promotion of corporate culture of honesty and whistle-blowing</li> </ul>

	<ul style="list-style-type: none"> <li>• Compliance with procurement regulations and procedures</li> <li>• Properly managed payrolls (especially for teachers) to reduce losses through ghost teachers and schools</li> </ul>
Transparency	<ul style="list-style-type: none"> <li>• Conditions for establishment of expenditure tracking systems and identification of areas of embezzlement</li> <li>• Ex ante expectations on resource flows among beneficiaries</li> <li>• Enhanced stakeholder buy-in to accountable sector management</li> <li>• Marshalled media as watch-dogs</li> <li>• Enhanced role of civil society in critiquing sector policies and their implementation</li> </ul>
Direct funding to schools	<ul style="list-style-type: none"> <li>• Broken up large concentrations of funds at the SUBEB level which are tempting bait for large-scale corruption</li> <li>• Establishment of communities, SBMCs and head teachers as watch-dogs</li> </ul>
Legal framework	<ul style="list-style-type: none"> <li>• Clarity on accountability of MDAs and financial reporting requirements</li> </ul>
Monitoring and evaluation	<ul style="list-style-type: none"> <li>• Analysis based on sound information to help identify where resources are not reaching their targets and positive results are not being achieved</li> </ul>

### Diversity in the ESSPIN States

7. The framework of intervention on PFM set out above is intended to provide a common approach for all the ESSPIN States for PFM. At the same time, it must be recognised that the circumstances, constraints and opportunities for reform are different and peculiar to each State. This is expected to result in work programmes at the State level, which differ in terms of the concentration afforded to the various activities, the pace of reforms, the level of support, and the sequencing of activities.

### Linkages between PFM, other ESSPIN outputs and other SLPs

8. Given the breadth of scope of the PFM activities, it comes as no surprise that there are important linkages and synergies, with within ESSPIN with the other Outputs, but also with the other State Level Programmes. Table 2 attempts to identify some of the most important linkages.

### Assessment of progress

9. The monitoring of progress in implementation of the activity groupings discussed above is going to be increasingly important as the project proceeds. Table 3 below proposes some governance indicators for use by the project in the area of PFM.



**Table 2: Linkages between ESSPIN Output 2, other ESSPIN outputs and other State Level Programmes**

<b>Activity grouping</b>	<b>Linkages with other ESSPIN outputs</b>	<b>Linkages with other State Level Programmes</b>
Budget cycle reform	Output 3 <ul style="list-style-type: none"> <li>Budget allocation issues relating to application of resources for teacher quality vs. increased numbers</li> </ul>	SPARC <ul style="list-style-type: none"> <li>Strong link with support for MTEF in states</li> <li>Activity planning/programmatic approach to budget SAVI</li> <li>Support for State House of Assembly and strengthening of budget oversight role of its committees</li> </ul>
Organisational reform	Output 1 <ul style="list-style-type: none"> <li>Synergy with support for UBEC reforms to make UBEC more effective in oversight of and support for SUBEBs</li> </ul>	SPARC <ul style="list-style-type: none"> <li>Support for improved budget execution across MDAs</li> </ul>
Transparency	Output 4 <ul style="list-style-type: none"> <li>Synergy to be developed</li> </ul>	SAVI <ul style="list-style-type: none"> <li>Synergy to be developed</li> </ul>
Direct funding to schools	Output 1 <ul style="list-style-type: none"> <li>Mobilise UBEC and FMoE to achieve policy shift in explicit favour of direct funding to schools</li> </ul> Output 4	SPARC <ul style="list-style-type: none"> <li>Coordinate decentralisation efforts</li> </ul> SAVI <ul style="list-style-type: none"> <li>Cooperate to support this cause</li> </ul>
Legal framework	Output 1 <ul style="list-style-type: none"> <li>Review and reform UBE legislation at Federal / State level</li> </ul>	SPARC <ul style="list-style-type: none"> <li>Promotion of reforms to clarify relation of agencies to State governments in terms of oversight and budgetary management</li> </ul>
Monitoring and evaluation	Output 3 <ul style="list-style-type: none"> <li>Synergy with quality assurance</li> </ul>	SPARC <ul style="list-style-type: none"> <li>Synergy with wider State government information and performance measurement systems</li> </ul>

**Table 3: ESSPIN PFM governance indicators**

Area	Current status	Process changes supported by ESSPIN	Objectively verifiable indicator
<p>1. Budget credibility: Aggregate expenditure out-turn compared to original approved budget</p> <p>(i) budget-expenditure variation, including absorption of federal funds</p> <p>(ii) MTSS-budget variation</p>	<ul style="list-style-type: none"> <li>Substantial under-spending on sector MDA budgets</li> <li>Up to 2 year lag in accessing UBE IF</li> <li>Budget in several states was not aligned with MTSS (partly because MTSS was prepared without budget constraint)</li> </ul>	<ul style="list-style-type: none"> <li>Align MTSS and budget through imposition of budget constraint on MTSS and more careful linking to the budget</li> <li>Support MDA workplans to help justify release of funds in support of MTSS activities</li> </ul>	<p>For each state:</p> <p>(i) Ratio of first year of MTSS to budget appropriated for education</p> <p>(ii) Ratio of total sector budget to total education expenditure</p> <p>(iii) Ratio of annual planned to actual drawdown of UBEC funds by state</p> <p>(iv) Gross value of undisbursed UBE IF funds held by UBEC awaiting drawdown by states</p>
<p>2. Budget comprehensiveness: state budget includes information on all funds</p>	<ul style="list-style-type: none"> <li>Some state budgets only reflect the matching grant to SUBEB and do not include SUBEB expenditure in the budget</li> <li>Donor activities typically off-budget except where matching grants are required</li> </ul>	<p>Support inclusion of the full SUBEB budget in the State Government budget, including both UBE IF releases and matching grants with detailed breakdown on both the revenue and the expenditure side</p>	<p>Is the full SUBEB budget in the State Government budget? (Yes/No)</p>
<p>3. Transparency of inter-governmental fiscal relations</p>	<ul style="list-style-type: none"> <li>Transfers from UBEC to SUBEBs are published monthly</li> <li>No information published on utilisation of funds available to SUBEBs at LGEA level</li> </ul>	<p>Support UBEC to set minimum standards of both ex ante and ex post transparency for SUBEBs and LGEAs, including publication of the full SUBEB Annual Action Plans (after approval by UBEC)</p>	<p>Are SUBEB Action Plans in the public domain? (Yes/No)</p>

4. Public access to key fiscal information	The State Government Recurrent Budget Estimates are on a purely input basis and do not show activities to be undertaken by MDAs, so assessment of value for money is not possible for this budget part	Support MDAs to prepare Activity Plans for use of the Recurrent Budget and (eventually and in cooperation with SPARC) move SGs to Programme Budgeting, using Education as the pilot sector	Is an Activity/Programmatic version of the MDA budget available to the State House of Assembly at time of presentation of the budget? (Yes/No)
5. Multi-year perspective in fiscal planning, expenditure policy and budgeting: state develops MTSS	Prior to ESSPIN and the introduction of MTSS there was no multi-annual framework for State Government budgeting	Two stages: (i) Prepare multi-year MTSS (achieved in all 5 states in 2009) (ii) Link multi-year MTSS to MTEF prepared by State Government (under SPARC support)	Does MTSS follow instructions of multi-annual ceilings set by (or, in the absence of a formal MTEF, agreed with) the MoF/MPB? (Yes/No)
6. Competition, value for money and controls in procurement	State Government financial regulations prescribe procurement systems for MDAs and SUBEBs but compliance and enforcement are largely non-existent	Strengthen internal due process systems in MDAs and especially in the SUBEBs and LGEAs	Are audit reports on SUBEBs and MDAs prepared promptly (within 6-months of year-end) and acted on? (Yes/No)
7. Predictability in the availability of funds for commitment of expenditures	Sector budgets liable to be pillaged to finance other sectors and projects	Engage at political level to get assurance of availability of budgeted funds to the sector	Ratio of budgeted to drawn-down funds at MDA/SUBEB, LGEA and (eventually) school levels
8. Availability of information on resources received by service delivery units	Very little information on funding made available to service delivery units including LGEAs, and schools	<ul style="list-style-type: none"> <li>• Encourage UBEC to set minimum standards for transparency.</li> <li>• Support sector MoU initiatives</li> <li>• Support publication by SUBEBs and LGEA of financial and non-financial resources (e.g. teachers) available to each school</li> </ul>	<ul style="list-style-type: none"> <li>• Are UBEC guidelines for SUBEBs on transparency developed and issued?</li> <li>• Are SUBEB action plans published after clearance by UBEC?</li> <li>• Are actual SUBEB expenditures by LGEA published within 2 months of year-end? (Yes/No)</li> </ul>

9. Resources are allocated to schools based on assessment of needs	Obscure system of resource allocation generally not assessable for equity and appropriateness	Support strengthening of the planning function in LGEAs and SUBEBs and the application of transparent and equitable rules on resources allocation for access and equity	Do LGEAs prepare annual plans for service delivery to schools which feed into the MTSS process? (Yes/No)
10. Quality and timeliness of financial reporting	Very variable; legal reporting requirements of SUBEBs confined to annual reporting to the Commissioner	<ul style="list-style-type: none"> <li>• Support routine reporting from SUBEBs to SMOEs</li> <li>• Support establishment of budget monitoring in MDAs based on financing of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Does SUBEB prepare a complete and timely annual report for SMOE?</li> <li>• Do departments within all MDAs and SUBEB prepare monthly and quarterly progress reports based on Activity Plans? (Yes/No)</li> </ul>
11. Legislative scrutiny of external audit reports	SHA Committee receives reports prepared by Auditor-General, but these are generally late, of variable quality and do not form the basis for follow-up action partly because of limitations in the line-item-based traditional budgeting system	Having established activity-based budgets in MDAs, encourage the State House of Assembly relevant committees to review value for money and ensure follow-up on all external audits of MDAs and SUBEB	Do reports of the State House of Assembly Finance and Accounting / Public Expenditure Committee provide an effective scrutiny of reports of external auditors for education sector MDAs? (Yes/No)

## Annex – Concept note on corruption

### Issue

10. The central aim of ESSPIN is good governance to help States make more effective use of their own resources. This can be achieved in several ways – through clearer outcome-driven planning, through stronger budget cycle management systems, through capacity building in the organisations responsible for service delivery in the sector etc. ESSPIN is rightly pursuing all these approaches. However, as we get closer to the institutions there is accumulating evidence that, at least in some States, a core problem is that a large proportion of the funds already available to the sector are simply not being properly utilized. For example, recent revelations indicate that roughly N400m a year was being skimmed off the teachers' salaries; a further N600m of funds for capital projects was simply embezzled under the guise of 'teacher development'. Doubtless further amounts have been stolen through corrupt procurement practices, short-changing schools etc. As a result, looking only at the SUBEBs, the losses to corruption are of equal magnitude to the total annual flow of funds from the UBEC Intervention Fund. In some states it has emerged that the sector budgets are substantially under-spent (substantial parts of the budgets have not even been requested to be released), and there is increasing evidence that the SMOEs capital budgets are slush funds for embezzlement.
11. ESSPIN cannot achieve its objective without getting to grips with this problem and working with the states to plug these gaps. At the same time, there appear to be some States and institutions which are under sound management. While one hesitates to name names and appearances may be deceptive, the SUBEBs in some states appear fairly effective in utilising the resources at their disposal. One feature differentiating SUBEBs (compared to other MDAs) is that they operate under UBEC rules, which in principle require accountability for use of funds in accordance with SUBEB Action Plans for each Intervention Fund tranche.
12. Transforming a long-standing and deeply ingrained environment of corruption is not going to be an easy task or one where rapid and uniform success can be expected. To have a good chance of overall success an essential requirement is that ESSPIN must have a plausible strategy which brings the available instruments to bear and concentrates on the large flows. Perfection is not attainable. This concept note tries to identify some elements of an ESSPIN strategy for addressing the problem of corruption in education.

### Work with SPARC to strengthen financial management systems in MDAs

13. As it operates at the State government central agency level, it is at the heart of SPARC's mandate to be supporting reforms which constrain the opportunities for corruption in the State governments. The main instruments being applied include: cash and payments management (reducing the number of bank accounts exercised by MDAs with the eventual aim of passing all payments – except petty cash payments - for all MDAs through a single account using electronic payments); development or strengthening of Integrated Financial Management Information Systems (IFMIS)

with built-in checks to ensure payments are only possible for budgeted items; strengthening of procurement (due process) through enforcement of existing federal and state laws; routine budget monitoring and bank reconciliation to identify irregularities quickly. The SPARC programme of reforms in this area is already having some effect but will in general take 2-3 years to put the full set of instruments and controls in place and this will still only be successful where they enjoy strong support from the central agencies (Accountant General/MoF/MPB). The SPARC approach is the correct approach for long-term and sustainable control over corruption in the MDAs.

14. The challenge for ESSPIN in this area is to work with the education sector MDAs to support and facilitate the accounting system changes which SPARC is leading. This is necessarily a second fiddle role, but is nonetheless important.

### **Use MDA activity planning to ensure funds are applied to the correct purposes**

15. The main contribution which ESSPIN can make relates to the planning, preparation and execution of budgets in terms of the activities to be funded by the budgets of the sector MDAs. The task involves enhancing the awareness of the responsibility of MDA managers (especially at Permanent Secretary and Head of Department level) to have clear plans for the use of budgeted funds, to monitor the implementation of those plans and to report on the results achieved. One reason why it is possible for large parts of MDA funds to be stolen is that there is no accountability for the use of funds. The Finance Committees of the State Houses of Assembly potentially have an important role here in terms of holding MDA permanent secretaries to account for the use of funds and the results achieved.
16. ESSPIN actions under Output 2 in 2010 will concentrate on working with the sector MDAs to prepare activity plans for main departments, to prepare activity-based, programmatic versions of their recurrent and capital budgets, and to set up monitoring of the MDA activity plans within the MDAs.

### **Strengthen UBEC support for accountability in SUBEBs**

17. Under the existing system for the management of the UBE Intervention Funds, UBEC has responsibility for ensuring that each SUBEB submits an Action Plan (for each annual Intervention Fund tranche), that the required matching grants have been deposited by the State governments, and for releasing funds only as previous period releases have been accounted for. Clearly if the UBEC oversight function was working effectively there would be no scope for the irregularities actually observed in the SUBEBs.
18. Under Output 1, ESSPIN is now rapidly developing a strong relationship with the senior UBEC management team aimed at reorienting UBEC towards an appropriate and achievable mandate and mission compatible with the Federal UBE Law. The central thrust of ESSPIN's work with UBEC is now emerging, following the November retreat in Obudu with senior UBEC management and the subsequent follow-through activities. This thrust is to transform UBEC from an essentially policing body, which controls the flow of funds to SUBEBs and takes direct control of transactions where

there is evidence of poor accountability by SUBEBs, into an organisation which has at the heart of its mission the role of supporting the SUBEBs to conduct their affairs transparently and accountably in a context of anticipated increased flexibility in the purposes to which Intervention Fund money can be applied in support of basic education.

19. An important strength of ESSPIN working with UBEC is the possibility of impacting not only on the 5-6 ESSPIN States, but on all 36 States.
20. At the moment it is still early days in ESSPIN's work with UBEC. In the coming months it is hoped that it will be possible to support UBEC in developing a stronger oversight function in respect of SUBEB accountability with a greater emphasis on providing follow-up support for SUBEBs which are falling short to strengthen their financial management and accountability systems. In this context, the experience ESSPIN is gaining through its direct support for Kwara SUBEB to address the immediate serious problems of accountability through the on-going review of financial management and reporting systems for accountability may prove very useful.

### Increased accountability through greater transparency

21. There is currently almost no transparency in the allocation and application of resources to schools and communities, even in those States/SUBEBs which have apparently progressive senior sector managers. It is useful to distinguish 'ex ante' from 'ex post' transparency. Ex ante transparency aims to inform stakeholders and the public in advance that specific resources are to be applied (e.g. in the coming year) in support of particular schools, communities, LGEAs etc. The purpose of ex ante transparency is to create an expectation that funds or resources are on their way, thereby empowering the relevant stakeholders to press to ensure that the resources are indeed made available and are delivered efficiently and on a timely basis. Ex post transparency provides information after expenditures have been incurred and is aimed to empower stakeholders to confirm that their entitlements have actually been delivered. Both types of transparency can be useful in combating corruption, and ideally they should be used in combination.
22. There is great scope for increased transparency especially at the SUBEBs. Through the process of the detailing of the SUBEB Action Plans, which are a requirement for the release of UBE Intervention Fund tranches, the SUBEBs already have a very detailed view well in advance of expenditure of the anticipated beneficiaries of their expenditures (i.e. which schools or at least LGAs will benefit from new construction, rehabilitated facilities, delivery of textbooks etc.). Similarly the cost of almost all civil works is known in advance, since the SUBEBs apply standard costings (e.g. per classroom) in the allocation of contracts. There is, accordingly, a very great scope for the routine publication, in advance of expenditure, of the details of beneficiary schools, communities etc. Initial discussion with progressive SUBEB Executive Chairmen in the ESSPIN States indicates that they are not averse to providing such transparency.
23. There is at present no guidance from UBEC to SUBEBs on minimum transparency standards on resource allocation and application. This is an area where ESSPIN could work, both directly with SUBEBs in ESSPIN States and with UBEC on national generic guidelines.

### Decentralise funds to the school level with local safeguards

24. The decentralisation of funds down to school level, apart from being a shift which is desirable in its own right as a part of the empowerment of schools and communities, is a potentially powerful mechanism for reducing the opportunities for grand corruption in the central agencies. Direct funding to schools breaks down the large blocks of funds which form a target for organised corruption in the MDAs through, for example, the allocation of civil works contracts. It must be recognised, of course, that decentralisation of fund management, while reducing the accountability problems at the centre, creates new problems at the school community and possibly LGEA level, so decentralisation is not necessarily a panacea for corruption. This threat must be addressed by timely and adequate establishment of financial management capability at devolved levels, notably in SBMCs.

25. To move forwards on this issue ESSPIN needs:

- to adopt a clear strategy on funds for schools, detailed on the basis of lessons learnt from the major piloting exercises carried out in recent years; terms of reference for a study activity under Output 2 to review the experience to date with direct funding for schools in Nigeria are currently under preparation
- to develop an advocacy approach for persuading high level stakeholders in the States to adopt direct funding as a major component of their application of both their own funds and funds derived from the UBE Intervention Fund; the response to such advocacy will provide a useful litmus test of commitment to cleaning up the sector

### Break up the large tempting blocks of funding

26. Apart from direct funding to schools, there is the possibility of devolution of responsibility for funds management to LGEA level. This would have the advantage, once more, of breaking up the current very large and juicy blocks of funds held at the disposal of SUBEBs. Progress in this area, however, will be contingent on a major advance in terms of LGEA capacity-building. On current evidence, LGEAs are part of the problem rather than of the solution. It is expected that organisational development work under Output 2 will start to address function and capacity issues at LGEAs, at least in selected locations. The results of this initial work need to be factored into the formulation of a clearer policy towards the role of LGEAs in funds management.

### Encourage a policy of name, shame and fire

27. There continues to be a dominant culture of acquiescence in embezzlement of public funds earmarked for education. At some point this needs to change. In Kwara the imminent signing of the MoU between all major stakeholders may provide a forum in which decisions could be taken and recommendations made to strengthen the sanctions against corruption.