

## Partnership on PFM and Youth Employment with Edo State

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This note was prepared in 2020 during project implementation. Key figures reflect the position as of December 2019.

One of the first things you notice when you visit Benin City (capital of Edo State in Nigeria) is the large number of contractors hard at work on government buildings. When I asked Governor Godwin Obaseki about this — a former investment banker — his reply was simple:

*“All I did was remove the payment risk for the contractors. There are processes in place to measure the quality and quantity of the work being undertaken and payments are made to contractor bank accounts without them having to run around government offices.”*

The State Employment and Expenditure for Results (SEEFOR) project — \$200 million IDA and \$78.4 million EU funded — supported Edo State on PFM reforms (25% of the budget) and state employment (75% of the budget) from 2012 to 2020. The logic was simple: improvements in revenue generation and cash management could be utilised for providing increased youth employment.

A systematic approach was followed for upgrading the PFM system in Edo. The reforms below were funded through the project as well as by the State Government through its own resources.

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**First: Modernising the legal framework.** The key laws passed were: the State Public Finance Management Law (July 2018), Audit Law (2019), Public Procurement Law (2017), Edo State Revenue (Harmonisation and Administration) Law (2012), Pensions Reform Law (2019), and Statistics Data Law (2014).

**Second: Improving budgeting.** A new budget classification scheme compliant with COFOG/GFS has been in use since 2015, with budget presentation in conformity with IPSAS Accrual-basis of accounting since 2017. The State consistently published annual budgets on time, online and in hard copy. An MTEF/Fiscal Strategy Paper is reviewed annually and approved by the State House of Assembly. Most MDAs across 14 sectors developed their own MTEFs derived from the approved State MTEF.

**Third: Automating and improving accounting.** The state implemented Oracle e-Business Suite R12, which went live in 2017. The State produced its 2017 and 2018 consolidated annual financial statements and 2019 quarterly budget performance reports on time using Oracle. Core modules include: Financials (GL/AP/AR/CE), HRMS/Payroll, Purchasing, and Hyperion Planning. A Treasury Single Account was implemented on both the revenue and expenditure sides. Employee biometric payroll controls eliminated ghost workers.

**Fourth: Strengthening internal and external audit.** A new Audit Law was enacted in 2019 and the Auditor General’s office restructured, with a State Audit Service Commission established. The IDEA (Interactive Data Extraction and Analysis) tool was implemented in 2018. Audited Financial Statements for FY2016–2018 were published on time, with the 2018 statement submitted to the State House of Assembly within five months of the financial year end.

**Fifth: Procurement reform.** The Procurement Law was passed in 2012. Over 33 specialist procurement officers were posted to MDAs. Standard Bidding Documents were developed and published online. A transparent complaint mechanism is in place with online submission. Edo became the only state in Nigeria with a procurement regulatory body staffed by 14 certified professionals.

**Sixth: Including local governments.** Since 2016, local governments have been running Odoo — a low-cost open-source ERP. HR and payroll was the first module, resulting in all local government staff being paid on time with proper records. Teachers and health workers are paid on time. This contributed directly to the Governor’s flagship Edo Basic Education Sector Transformation (BEST) programme — the plumbing and the programme moved in sync.

**Seventh: Reform of the state tax authority.** The Edo State Revenue Administration System (ERAS) — integrated with the Federal Joint Tax Board, Pay-Direct Payment Gateway, and State GIS — automated all core tax functions. E-registration, e-filing, online self-assessment, e-payments, and electronic tax clearance certificates were introduced. Cash collections were completely eliminated. Between 2013 and 2018, the state saw a 56% increase in revenue collections and a more than 300% increase in active taxpayer profiles.

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Central to all of these reforms was the highly capacitated ICT Agency that reports directly to the Governor. This agency negotiated a 20-year PPP contract with a private sector operator, making Benin City one of the few state capitals in Nigeria with reliable broadband connectivity rolled out across the city and to local governments. This infrastructure was the foundation that made the digital financial systems possible.

The logic ran in one direction: better revenue collection and cash management generated the fiscal space for investment in youth employment. Employment was provided to 18,680 youth under the project (against a target of 7,466). The State made significant progress on technical and vocational training, with 2,970 youth trained and 20 courses accredited. Under the Community-Driven Development component, 185,590 people were provided access to socioeconomic services. All project locations were digitised through KoboToolbox and are publicly accessible.

After the World Bank project closed in September 2020, the State Government created SEEFOR Plus — using the same PIU, the same template, and its own resources — awarding 234 road contracts, of which 225 were completed. Nineteen Nigerian states and two countries visited to study the reforms in PFM. The reforms have continued and deepened since this note was written.

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*Parminder Brar served as Task Team Leader for the SEEFOR project from 2018 to 2020. He is the founder of [mdbreform.com](http://mdbreform.com).*