NIGERIA

Scaling Sustainable Finance with Integrated Governance and Institutional Structures

July 2024

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KEY MESSAGES

- Nigeria initiated its Integrated National Financing Framework (INFF) in 2019 and launched the first Integrated National Financing Strategy (INFS) on the African continent in 2022. The INFS covers 22 financing sources and 115 initiatives, seeking to leverage the full potential of public, private, domestic and international resources to support the country's national sustainable development priorities.
- Despite challenges such as the COVID-19 pandemic, economic downturns and internal changes within ministries, departments and agencies, Nigeria's INFF process has advanced steadily, safeguarded by high-level political commitment. The initiative has been championed by a National Steering Committee chaired by the Minister of Finance. The Office of the Senior Special Assistant to the President on the Sustainable Development Goals (SDGs) has provided cross-sectoral technical support, ensuring that the INFF's contribution to Nigeria's sustainable finance ecosystem remains a priority.
- The INFF has also been implemented at the subnational level and has been adapted to local contexts to achieve more effective outcomes. Six states are developing Development Finance Assessments, and pilot projects aimed at boosting domestic revenue and improving tax administration have been introduced in Kaduna, Ondo and Abia states. These initiatives include digital tax assessment platforms, state-level Medium-Term Revenue Strategies (MTRSs) and gender-responsive taxation measures. Gombe state announced a US$19 million green bond in February 2024, with plans to raise an additional $9.5 million for infrastructure projects.
- Nigeria has already launched high-priority reforms to enhance tax and policy frameworks, foster a conducive business environment and promote investment among domestic and international investors. These reforms are already yielding significant financial outcomes. The INFF has supported capacity-building for tax audits, strengthening transfer pricing and Automatic Exchange of Information audits, generating an additional $30 million (NGN17.7 billion) in revenue from 55 audits in the oil and gas sector.
- In private finance, the INFF has fostered a $175 million investment pipeline in 25 women- and youth-led impact ventures. Three ventures have already secured $15 million in private-sector investments.
- These early results indicate significant potential to scale sustainable financing through deeper INFF reforms. To achieve this, the government is intensifying its leadership using a comprehensive and costed INFF approach. Plans include the establishment of a catalytic INFF fund to systematically mobilize substantial financial resources to achieve the SDGs through collaboration between the government and multiple donors.
- Nigeria is currently updating its INFF to streamline the roadmap, action plan, and monitoring and evaluation (M&E) framework, aligning them with the evolving national development context and prioritizing high-impact actions.

INTRODUCTION

With a pre-COVID SDG financing gap of $341 million (NGN125 trillion),[1] an economy heavily reliant on oil (41 percent of total revenue), domestic revenues averaging less 10 percent of GDP since 2015 and a public debt service ratio of 83 percent of federal government revenues in 2020,[2] Nigeria is now facing an annual SDG financing gap of $10 billion.[3]

To achieve sustainable economic growth and create a more favourable environment for SDG financing, the country is committed to enacting multidimensional policy reforms and strengthening its planning processes. The government adopted the Integrated National Financing Framework (INFF) approach as a strategic framework to guide, coordinate and oversee financing for national development priorities. The INFF aims to forge cohesive, nationally owned sustainable development strategies that align with existing plans and structures.

1. Nigeria Presidency, Achieving the SDGs in Nigeria: Pathways and Policy Options, 2019.
2. Nigeria Integrated National Financing Framework (INFF), Nigeria INFF: Operationalization, Progress & Next Steps, 2024, pp. 25, 38, 110, 111. Note: Tax-to-GDP levels compare to an average of 13 percent for Sub-Saharan Africa in 2022, according to the IMF Regional Economic Outlook.
3. United Nations Development Programme (UNDP) and Government of Nigeria, Integrated National Financing Framework for Nigeria: Accelerating the Achievement of the Sustainable Development Goals (SDGs), 2023. Available at https://inff.org/assets/resource/nigeria-integrated-national-financing-framework.pdf.

Box 1: Integrated National Financing Frameworks (INFFs)

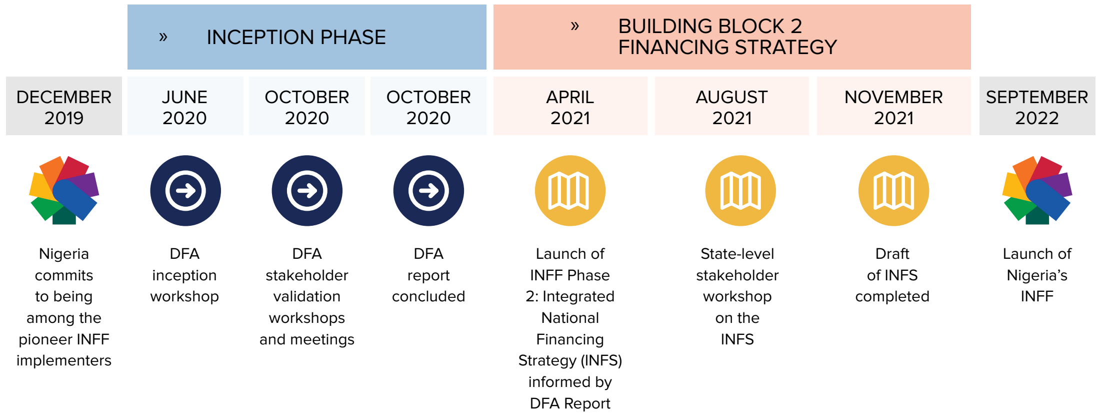
First introduced by UN Member States in the 2015 Addis Ababa Action Agenda, INFFs are country-led approaches to strengthen public and private financing for sustainable development. Today, 86 countries are using the INFF approach to integrate financing and national planning, bringing together policymakers and stakeholders across the public and private sectors to strengthen SDG financing using nationally driven approaches.

INFFs help countries strengthen planning processes and overcome existing impediments to financing sustainable development and the SDGs at the country level. They contemplate a range of financing sources, including domestic and international sources of both public and private finance, and allow countries to develop strategies to increase investment, manage risks and achieve the sustainable development priorities identified in their national sustainable development strategies.

INFFs are developed and implemented through four interlinked building blocks: (1) assessment and diagnostics, (2) financing strategy, (3) monitoring and review and (4) governance and coordination. Each building block is a critical component in building national capacity to strategically manage and align financing efforts with sustainable development goals. Activities are designed and implemented iteratively within each of these building blocks, such that progress in one building block benefits the others.

Actions in each area build upon the structures, processes and mechanisms already in place within national sustainable development and financial planning frameworks. While the core components of INFF's remain the same, the activities comprising each building block differ by country. The end result is an INFF that reflects each country's capacities, priorities, vulnerabilities and strengths.

Figure 1. Development process for Nigeria's INFF



Nigeria began its INFF process in 2019, making it a pioneer in the African continent. In 2020, the country conducted a Development Finance Assessment (DFA), with support from UNDP. The assessment mapped financing gaps and opportunities as part of the foundation for the INFF Inception Phase. Further assessment and diagnostics (building block 1) were then carried out through desk reviews, consultations with key stakeholders and national-level workshops. In 2021, the design phase began for the Nigeria INFF Financing Strategy (building block 2), the core of the process. This was officially launched in September 2022,[4] along with the monitoring and evaluation framework (building block 3) and the governance and coordination framework (building block 4) to ensure stakeholder alignment and collaboration on priority issues.

The INFF process is led by the Federal Minister of Finance, Budget and National Planning and Coordinating Minister for the Economy, with the Office of the Senior Special Assistant to the President on SDGs serving as its secretariat. Oversight is provided by a high-level INFF Steering Committee, co-chaired by the Federal Minister of Finance, Budget and National Planning and the United Nations Resident Coordinator, and comprising government institutions, regional and multilateral development banks, the European Union and a private-sector advisory group. The Steering Committee defines the scope and objectives of the INFF road map, ensuring alignment with broader reforms.

To provide strategic technical leadership and support, the Multistakeholder Core Working Group was established, comprising senior technical representatives from Steering Committee organizations. It is co-chaired by the UNDP Economics Adviser and the Director of Macroeconomy at the Federal Ministry of Finance, Budget and National Planning. Recognizing Nigeria's federal structure, the INFF has also been implemented at the subnational level. DFAs are being carried out in six states (Anambra, Edo, Gombe, Kano, Kwara and Lagos), and pilot projects to boost domestic revenue and improve tax administration have been introduced in Kaduna, Ondo and Abia. These initiatives include digital tax assessment platforms, state-level Medium-Term Revenue Strategies (MTRSs) and gender-responsive taxation measures. In February 2024, Gombe state announced a green bond worth about $19 million (NGN30 billion) to raise financing for infrastructure projects.

4. United Nations Development Programme (UNDP) and Government of Nigeria, Integrated National Financing Framework for Nigeria: Accelerating the Achievement of the Sustainable Development Goals (SDGs), 2023. Available at https://inff.org/assets/resource/nigeria-integrated-national-financing-framework.pdf.

Box 2. Initial objectives of Nigeria's INFF

- Increased government revenues to finance development and achieve the SDGs.
- Improve financial flows by expanding foreign direct investment (FDI), remittances and other private-sector financing flows to align with the economy's scale.
- Strengthen national- and state-level institutional capacities to mobilize revenue from various sources.
- Foster a business-friendly environment so that the private sector can thrive and contributed to revenue growth.
- Offer incentives to local and international investors and financial institutions.

Source: INFF Nigeria, Proposed Implementation Support Funding Mechanism, PPT April 2024.

Under the leadership of the INFF Steering Committee, in 2022, Nigeria became the first country to adopt a comprehensive Integrated National Financing Strategy (INFS). The INFS is an umbrella framework for a range of public and private financing reforms seeking to meet the financing needs of Nigeria's 2021–2025 National Development Plan and beyond. The strategy is operationalized through the INFF Action Plan, which details 22 financing sources and 115 initiatives aimed at scaling up both conventional and innovative finance (box 2).

The INFS has been informed by multistakeholder financing dialogues and critical reforms to enhance tax and policy frameworks. The regulation of investment promotion is another focus, in line with the government's objective to boost domestic resource mobilization. Initiatives to increase public revenue, strengthen multi-year fiscal planning and expand private financing have also been piloted and are now ready to be brought to scale.

The reforms undertaken through the INFF process have already delivered intermediate outcomes using resources aligned with or leveraged for the SDGs. For example, fiscal space worth $30 million has been created through tax auditing capacity-building, the digitization of tax systems, and the implementation of tax for SDGs and gender-responsive taxation, enabling investment in key development areas. The INFF has fostered a $175 million investment pipeline for 25 women- and youth-led impact ventures, three of which secured $15 million in private-sector investments. Gombe state announced a green bond worth about $19 million (NGN30 billion) in February 2024 and plans to raise an additional $9.5 million for infrastructure. Annual targets now aim to unlock approximately $30 billion through remittances, foreign direct investment, government bond issuances and improved tax compliance. These efforts showcase Nigeria's potential to redirect a broad array of financing resources to drive its sustainable development agenda.

Early results highlight significant opportunities to scale sustainable financing through deeper INFF reforms. To achieve this, the government is intensifying efforts to implement a comprehensive and costed INFF approach underpinned by a dedicated INFF Fund.

CONSOLIDATING INSTITUTIONAL STRUCTURE WITH HIGH-LEVEL POLITICAL SUPPORT TO DRIVE CHANGES

The added value of an INFF lies not only in the activities it undertakes and the outcomes it catalyses but also in its ability to bring stakeholders together to shape a comprehensive, coherent and more efficient sustainable finance ecosystem. High-level support, senior technical coordination and an integrated monitoring and operational financing system are central to the operationalization phase. Beyond progress on sequenced INFS action plans, Nigeria is prioritizing consolidating its INFF governance, monitoring and funding structures.

Nigeria's INFF has received presidential support and is championed at the highest level through the National Steering Committee, chaired by the Minister of Finance and Coordinating Minister of the Economy. The Steering Committee provides guidance and is responsible for the overall delivery of the INFF, and brings together representatives from government, development partners and the private sector. Senior technical leadership is provided through a Core Working Group of directors and representatives from as many as 12[5] different government agencies, bilateral and multilateral partners and the private sector.[6]

> "We're looking for enhanced institutional mechanisms, including regulatory mechanisms to facilitate mobilization, coordination of development financing and sustainable development."
>
> **Mr. Wale Edun**
> *Minister of Finance and Coordinating Minister of the Economy*
> *INFF Steering Committee, May 2024.*

The Office of the Senior Special Assistant to the President on the Sustainable Development Goals serves as the INFF Secretariat, ensuring that the INFF's contribution to Nigeria's sustainable finance ecosystem remains a priority even amidst transitions in government and ministries, departments and agencies.

The 2022 INFF Action Plan is linked to a monitoring and evaluation (M&E) framework that tracks initiatives designed to mobilize and align financial resources with the country's sustainable development priorities. The M&E framework allows stakeholders to monitor progress, identify gaps in the proposed initiatives and measure performance against INFF objectives.[7] Two years into implementation, the INFF Core Working Group launched a review of the framework to improve its focus on the country's evolving sustainable development priorities and linkages to specific SDG indicators using a baseline, targets, means of verification and a dedicated budget.

With robust leadership from key federal and state-level authorities, Nigeria's INFF has maintained continuity and coherence through external shocks such as pandemics, economic downturns and

5. INFF, Integrated National Financing Frameworks: The Nigeria Experience, 2024. Available at: https://inff.org/assets/resource/bb2.-nigeria---integrated-national-financing-frameworks.pdf.
6. Nigeria INFF, Nigeria INFF: Operationalization, Progress & Next Steps, 2024.
7. Nigeria INFF, Nigeria INFF: Operationalization, Progress & Next Steps, 2024, p. 143.

geopolitical tensions, as well as internal changes within ministries, departments and agencies. The diverse stakeholder composition of the Core Working Group has enabled the government to gather technical inputs, build capacity around the INFF process and ensure stakeholder ownership of the INFF process and its outcomes. This well-structured governance model has laid a strong foundation for dynamic financing reforms across public and private financing sectors.

In response to Nigeria's size and federal structure, the INFF mainstreaming process includes a strong focus on the subnational level. The INFF Action Plan has highlighted the need to strengthen and clarify the financial relationship between federal, state and local governments within the fiscal federalism framework. Reforms in both public and private finance are being localized to the subnational levels (see more details in the following two chapters).

STRENGTHENING SDG-ALIGNED PUBLIC FINANCE MANAGEMENT AT THE FEDERAL AND STATE LEVELS

Federal public revenue, which accounts for 80–90 percent of most Nigerian states' revenue, is a pivotal source of funding for the SDGs. Given Nigeria's low tax-to-GDP ratio (less than 10 percent), there is significant potential to enhance the country's revenue-generating capacities to finance the SDGs.

To achieve tax revenue projections, tax certainty and tax system reforms[8], Nigeria's MTRS has outlined measures to address tax policy gaps and improve tax administration. These will lift the tax-to-GDP ratio above the business-as-usual scenario of 4.3 percent by 2025 and will be critical to covering expected spending levels of 8.1 percent of GDP by 2025.[9] The development of more realistic medium-term revenue targets also guides the Medium Term Expenditure Framework (MTEF), enabling a strategic approach to prioritize SDG spending. The MTRS and an MTEF for 2023–2025 were developed as part of the 2022 INFS.

> "We envision that the implementation of the INFF will lead to more effective public financial management and a higher revenue-to-GDP ratio. [...] We're looking to build stronger capacities for generating revenue nationally and even at the subnational level."
>
> **Mr. Wale Edun**
> *Minister of Finance and Coordinating Minister of the Economy*
> *INFF Steering Committee, May 2024.*

Under the MTRS and MTEF framework, the INFF process has supported Nigeria in launching a series of critical reforms in close collaboration with the Federal Inland Revenue Service (FIRS). These include supporting digital transformation, strengthening tax audit capacities and reviewing tax expenditures to eliminate wasteful incentives that fail to attract real and SDG-enabling investments.[10]

8. Nigeria INFF, Nigeria INFF: Operationalization, Progress & Next Steps, 2024, p. 113. Note: Calculated based on the 2020 exchange rate of US$1 = NGN358.81 (Source: World Bank Data Bank).
9. Nigeria INFF, Nigeria INFF: Operationalization, Progress & Next Steps, 2024, p. 115.
10. Nigeria INFF, Nigeria INFF: Operationalization, Progress & Next Steps, 2024, p. 117.

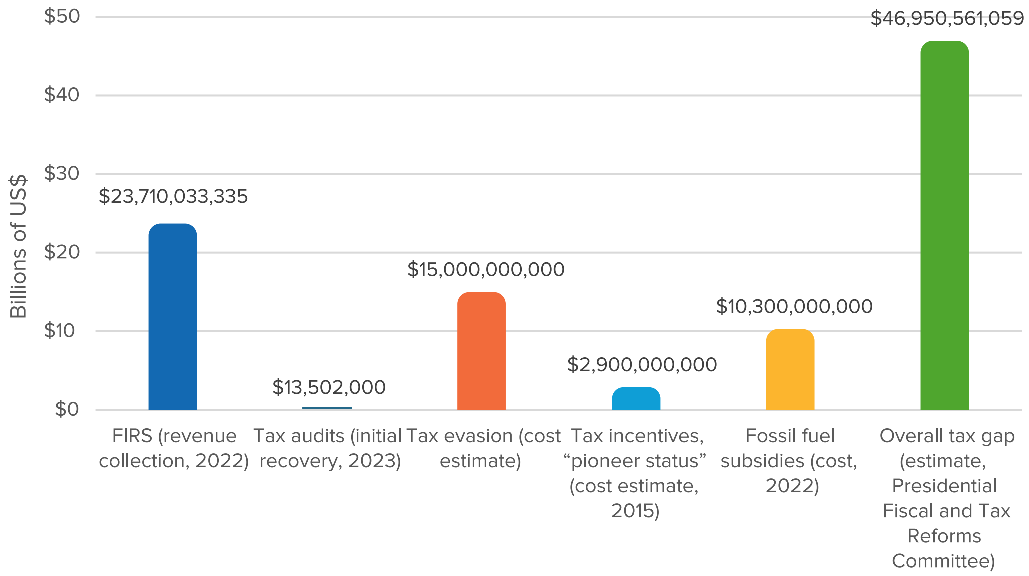
One key aspect is to enhance voluntary taxpayer compliance through a stronger digital offer. Nigeria's INFS addresses the challenge of a mostly nondigitalized tax system that suffers from weak government monitoring and enforcement. Losses due to tax evasion are estimated at $15 billion annually.[11] In 2023, the FIRS developed its first **Digital Transformation Strategy,** which aims to remedy revenue loss through automated administration processes, the implementation of artificial/business intelligence in case selection, automated data access systems and a transformational relationship with taxpayers. The strategy was informed by a Digital Tax Maturity Model assessment, which allowed FIRS members and staff to identify the gaps for data-driven decisions. Key steps in the Digital Transformation Strategy will be carried out from 2024 to 2027, including the establishment of a forensic lab to enhance ICT architecture, the integration of ICT-related solutions, the implementation of an information security management system and effective change management.

Another key measure is **building the capacity of tax auditors** through continuous training, ethical reorientation and improving the availability of working tools.[12] With the support of the Tax for SDGs initiative, Nigeria's FIRS has enhanced its transfer pricing and Automatic Exchange of Information audits. These actions led to an additional $30 million in revenue through 55 audited cases in the oil and gas sector. Future audits and the alignment of the country's 2024 Finance Bill with Global Anti-Base Erosion Model Rules (GloBE Rules) provide additional prospects for taxing multinational enterprises within Nigeria's jurisdiction.[13]

The additional $30 million collected remains a relatively low share of Nigeria's total tax revenue ($13.9 billion or NGN4.9 trillion in 2020[14]; $23 billion or NGN 10.1 trillion in 2022[15]). However, the potential for addressing a significant share of the SDG financing gap is high. Order-of-magnitude estimates estimate tax losses from trade misinvoicing alone to be close to $90 billion between 1996 and 2014, while tax evasion is estimated at US$15 billion annually.[16] Consequently, there is an estimated annual tax gap of $47 billion or NGN20 trillion (figure 2).[17] Detailed assessments have been identified as a priority by FIRS and Ministry of Finance staff. The initiatives that are being prepared include tax gap analyses for corporate income tax (CIT) and value added tax (VAT), the identification of opportunities for revenue growth and tax modifications under the African Continental Free Trade Area (AfCFTA) and assessments of illicit financial flows from multinational enterprises. These are supported by the Presidential Fiscal Policy and Tax Reforms Committee, driving deeper INFF reforms at the political and technical levels. The INFF's prioritization of greater collaboration among stakeholders will help harmonize tax collection processes, which often involve different ministries, departments and agencies. Tax clinics are being organized by key authorities and include relevant taxpayer audiences (e.g. market vendors) and civil society organizations.

11. Nigeria INFF, Nigeria INFF: Operationalization, Progress & Next Steps, 2024, p. 26.
12. Nigeria INFF, Nigeria INFF: Operationalization, Progress & Next Steps, 2024, p. 123.
13. Regional Bureau for Africa, Nigeria, Q4 2023 Report, 2023; Tax for SDGs Initiative, 2023 Annual Report, p. 23.
14. Nigeria INFF, Nigeria INFF: Operationalization, Progress & Next Steps, 2024. Note: Calculated based on a 2020 exchange rate of US$1 = NGN358.81 (Source: World Bank Data Bank).
15. Regional Bureau for Africa, Nigeria, Q4 2023 Report, 2023. Note: For 2022, this case study applies an exchange rate of US$1 = NGN425.98 (Source: World Bank Data Bank).
16. Nigeria INFF, Nigeria INFF: Operationalization, Progress & Next Steps, 2024, pp. 26 and 43.
17. Presidential Fiscal Reforms Committee, Questions & Answers, 2024. Note: Calculated based on the 2022 exchange rate of US$1 = NGN425.98 (Source: World Bank Data Bank).

Figure 2. Federal tax revenue vs. estimated gaps (in millions of $)



*Source: Author based on data from Nigeria INFS, RBA and **Presidential Fiscal Transparency and Revenue Committee**.*

Pilot initiatives to boost domestic revenue generation and improve tax administration have launched in Kaduna, Ondo and Abia states. In these regions, internally generated revenues are below the national average of about $13 (NGN3,939) per capita (2017 data).[18] These initiatives aim to increase voluntary tax compliance and foster collaboration between revenue-generating ministries, departments and agencies. Central to this strategy is digital transformation through automated taxpayer lines and digital tax assessment platforms, and state-level MTRS, with a focus on gender-responsive taxation. For instance, Kaduna State Inland Revenue Service's new interactive voice response line has improved taxpayer engagement by facilitating information access, resolving complaints and improving overall communication between authorities and taxpayers.[19] The Kaduna and Ondo inland revenue services have adopted a gender equality seal for public institutions,[20] committing to equal opportunities among civil servants and implementing other measures to align the tax system with gender equality targets. Following initial self-assessments, tax policies will be scrutinized and reformed to ensure they address gender disparities.[21]

In summary, the initial phase of Nigeria's INFF implementation has prioritized domestic resource mobilization, introducing measures such as SDG-aligned private-sector investment facilitation, the digitalization of tax administration processes, tax audits and the rationalization of tax incentives. These measures have significant potential for scaling up to increase Nigeria's revenue-generation capacity.

Looking ahead, the comprehensive vision of the INFS will require revenue enhancements to be linked to expenditure reforms, potentially through outcome-based budgeting.

18. Development Finance Assessment (DFA), Transforming Tax Administration for Sustainable Development: Impact of the Pilot Program with Kaduna State Inland Revenue Service, United Nations Development Programme (UNDP), 2023, p. 31.
19. Development Finance Assessment (DFA), Transforming Tax Administration for Sustainable Development: Impact of the Pilot Program with Kaduna State Inland Revenue Service, United Nations Development Programme (UNDP), 2023.
20. The FIRS has also adopted the seal at the federal level.
21. UNDP, Nigeria: The SDGs Taxation Framework and the Gender Equality Seal as Accelerators Towards Gender-Responsive Tax Systems, 2023.

PROMOTING AN ADEQUATE POLICY FRAMEWORK FOR MOBILIZING PRIVATE FINANCE

Beyond public finance, Nigeria's capacity to grow domestic revenue generation hinges on creating an enabling environment for the domestic private sector and attracting higher, more diverse foreign direct investments. The INFF Action Plan emphasizes strengthening the policy, legislative and regulatory environment to support private enterprises. Key initiatives include legal and regulatory reforms to regulate the mining industry and enhance its sustainability, as well as collaboration with investment promotion agencies at the federal and state levels.

> "The Nigerian Investment Certification Programme for States holds immense potential to unlock the state's economic potential and propel it towards prosperity. We are confident that by working together, we can create a vibrant investment landscape that attracts businesses, generates jobs, and improves the lives of all Ekiti residents."
>
> **Ms. Aisha Rimi**
> *Executive Secretary/CEO of NIPC*
> *January 2024, at the launch of the NICPS.*

Regulating the solid minerals sector holds potential to attract investors, foster the growth of micro, small and medium-sized enterprises (MSMEs) and increase household income. While the sector played a pivotal role in the Nigerian economy before the discovery of oil reserves in the 1950s,[22] its contribution to federal government revenues was just 0.7 percent in 2016[23]. One of the key reasons is the extent of unregulated informal operations, which hinder revenue collection and limit the industry's environmental, social and governance performance, thus reducing the likelihood of attracting private investors. Approximately 70 percent of miners work on a small scale, often informally and under hazardous conditions. The INFF highlights weak supervisory oversight, under-reporting and harmful environmental and social impacts as barriers to economic growth in this sector.[24] Supported by the EU and UNDP, the Revenue Mobilization and Fiscal Allocation Commission[25] has started to develop a framework for solid minerals that addresses legal, regulatory and institutional aspects while considering the rights of miners and communities. This has included gathering market intelligence to support the formalization of small-scale miners and implementing policy dialogues between the different agencies involved at the state and federal levels, with the aim of improving the sector and enhancing resource mobilization. To date, more than 120 artisanal and small-scale miners have formalized their activities and received training on environmental, health and revenue-generation practices.[26]

22. UNDP, Beaming the Light on a Hidden Sector, 2023.
23. Nigeria Extractive Industries Transparency Initiative (NEITI), Solid Minerals Industry Report 2020, 2021, p. 86.
24. Nigeria INFF, Nigeria INFF: Operationalization, Progress & Next Steps, 2024, p. 163; UNDP, Beaming the Light on a Hidden Sector, 2023.
25. RMFAC is a federal executive body in charge of managing fiscal federalism. It sits on the Presidential Committee on Fiscal Policy and Tax Reforms.
26. Nigeria INFF, Integrated National Financing Frameworks Progress Report, Year 2, 2024.

Nigeria's Investment Promotion Commission (NIPC) plays a central role in mobilizing private finance by enhancing enabling policies and the legislative and regulatory environment. Recognizing that subnational enabling environments are critical to Nigeria's overall capacity to attract SDG-enabling private investors, the INFF has supported the NIPC in relaunching the Nigerian Investment Certification Programme for States. Piloted in three states in Ekiti, Gombe and Enugu states in 2023, the programme supports subnational authorities' capacity to promote, attract and manage investments.

Other investment promotion activities being implemented include establishing one-stop investment centres and strengthening state-level investment promotion agencies. For example, Gombe State has launched the Gombe State Investment Promotion Agency to create an enabling framework and adequate tools to attract investments to key sectors (box 3). In February 2024, Gombe announced a green bond worth $19 million (NGN30 billion) at the Nigerian Exchange Group, with plans to raise an additional $9.5 million for infrastructure projects. In Ondo State, the INFF has combined tax administration support with initiatives to improve the ease of doing business, identify competitive advantages and convene investment and diaspora summits.[27] Similarly, the programme supported Abia and Edo states in revising their ease of doing business policies and investment guides, holding roundtables and participating in global investment promotion events. The government now plans to expand this pilot programme nationwide.

> "Gombe State is one of the six states in Nigeria with ongoing subnational development finance assessments. The INFF Action Plan for investment promotion is ongoing, underscoring the increasing momentum towards impactful development initiatives at local levels."
>
> **Hon. Ali Malik Yakubu**
> *Economist, Ministry of Finance of Nigeria*
> *during the first FfD4 Preparatory Committee Session, April 2024.*

The INFF's focus on an enabling investment promotion and regulatory framework is paving the way for a stronger private-sector contribution to the country's revenue base and industrialization. To maximize impact, close collaboration between federal and state inland revenue services will be critical, such as scaling up a nationwide investment certification and promotion approach for solid minerals. Growing Nigerian states' capacities to attract new investors will require significant additional investment and a coherent approach that avoids harmful competition between states. Close alignment with the INFF's coordination and integrated monitoring approach will be critical.

The INFF's approach to debt instruments has been cautious due to high debt service costs, which accounted for 83 percent of federal government revenue in 2020 and 69 percent in 2021.[28] However, looking ahead, the INFF financing strategy will explore innovative bond instruments like green, SDG, gender and diaspora bonds. These could provide access to foreign capital at lower interest rates while managing debt sustainability and foreign exchange risks. Careful preparation, including pricing assessments and dynamic budget tagging exercises, will be essential to mobilize stakeholders behind viable public investment projects.

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27. Nigeria INFF, Integrated National Financing Frameworks Progress Report, Year 2, 2024.
28. Nigeria INFF, Nigeria INFF: Operationalization, Progress & Next Steps, 2024, p. 15 and p. 38.

LEVERAGING IMPACT INVESTMENTS FOR SDG-ALIGNED MSMEs

Nigeria's INFF emphasizes the critical role of domestic MSMEs, which contribute 50 percent of the national GDP and 77 percent of all employment opportunities. Despite their importance, MSMEs face significant growth challenges, including limited access to funding.[29] To address these issues, Nigeria has developed an SDG Investor Map and supports impact-driven companies to scale up and enhance sustainable business practices.

Figure 3. Nigeria's SDG Investor Mapping - Investment beneficiaries and key sectors.

1 NO POVERTY

2 ZERO HUNGER

Food and beverages/Agricultural logistics services

» Market size: 3 million farmers
» Average ticket size: US$1 million–US$10 million
» First growth stage beneficiary:
  » **Agriarch**e (end-to-end digitization of agricultural processes)

3 GOOD HEALTH AND WELL-BEING

Healthcare/Healthcare consumabless

» Focus: Improving healthcare coverage and access
» Market size: US$1 billion
» Average ticket size: US$1 million–US$10 million
» First growth stage beneficiaries:
  » EHA Clinics (healthcare service provider)
  » Vittas International (facilitates loan access in the Nigerian healthcare ecosystem)

SUSTAINABLE DEVELOPMENT GOALS

Other identified SDG priority areas *(yet to attract investments)*

» **Food and beverages:** agro-industrial processing; fishery terminals; grain storage and aggregation; livestock production and sustainable food and cash crop production.
» **Infrastructure**: affordable mass housing; deep-sea ports; plastic recycling; refuse-derived fuel.
» **Renewable energy:** biomass energy; hybrid minigrids and wind farms.
» **Services:** digital payment platforms.
» **Consumer goods**: improved cooking stoves.
» **Technology and communications:** mobile broadband distribution.

Source: Author based on UNDP SDG Investor Platform and INFF Y2 Report

Launched early in the INFF process, Nigeria's SDG Investor Map identifies 8 sectors and 17 business models (figure 3) to enable more targeted promotion of key sectors in the INFF Action Plan through federal and state investment commissions (see above).

29. Nigeria INFF, Nigeria INFF: Operationalization, Progress & Next Steps, 2024, p. 52; Development Finance Assessment (DFA), Transforming Tax Administration for Sustainable Development: Impact of the Pilot Program with Kaduna State Inland Revenue Service, United Nations Development Programme (UNDP), 2023, p. 49.

The development of a $175m investment opportunity portfolio for women- and youth-led enterprises showcases the potential for private investment to catalyse SDG progress. Following the SDG Investor Map, a deep-dive assessment identified approximately 200 businesses with significant sustainable growth potential. In partnership with the Lagos-based Financial Centre for Sustainability (FC4S) and Impact Investment Exchange (IIX), UNDP supported screening and due diligence on the identified businesses. This narrowed the selection to the 25 women- and youth-led enterprises noted above, representing a combined investment portfolio of $175 million. These companies operate across critical sectors for SDG impact-driven investments, delivering goods and services to underserved communities and have received support through transaction advisory and tailored investment engagements.[30]

Eight of these enterprises are expansion stage-companies that were eligible for investment brokering support. By early 2024, three operating in the health and agritech sectors[31] (figure 3) had mobilized **$15 million in private investments through debt, equity and mergers and acquisitions** from impact and angel investors, commercial banks and capital markets. Efforts to secure additional funding for some of the smaller early-stage businesses are continuing.

In addition, the Growth Stage Impact Ventures programme, supported by the EU and UNDP, has enabled 17 of the smaller, vetted and commercially viable businesses to participate in Nigeria's Sixth Annual Convening on Impact Investing and other investment facilitation events. The programme has also provided support for market access under the AfCFTA.[32]

Nigeria has a wealth of local businesses that hold untapped sustainable growth potential, many of which remain overlooked by international investors. The INFF has begun highlighting these opportunities and will continue matching them with potential financiers and investors. Scaling support for SDG-aligned private enterprises and incentivizing venture capital investments nationwide will be essential moving forward.

30. Nigeria INFF, Integrated National Financing Frameworks Progress Report, Year 2, 2024; UNDP, Brokering Private Sector Investments for the SDGs, 2024.
31. UNDP, Brokering Private Sector Investments for the SDGs, 2024.
32. Nigeria INFF, Integrated National Financing Frameworks Progress Report, Year 2, 2024, p. 25

MOVING FORWARD: SCALING SUSTAINABLE FINANCE VIA A DEDICATED INFF FUND

Nigeria's INFF has been instrumental in advancing sustainable development by enhancing regulatory frameworks, increasing government revenues through improved tax administration and supporting SDG-aligned enterprises. This strategic approach has increased domestic resource mobilization, which is crucial for funding essential SDG-related projects, and has facilitated private-sector growth and investment in key sectors for the national development agenda. Initiatives like the SDG Investor Map have successfully identified and supported businesses with significant potential for social and economic impact, particularly those led by women and youth.

The progress achieved underscores the potential of the INFF to catalyse improved financial outcomes and its readiness to be scaled up so that INFS reforms can be fully implemented in all states.

Box 4. Lessons learned from Nigeria's INFF implementation

Nigeria's role as a champion of mainstreaming the INFF process across various levels of government offers valuable insights:

- High-impact reforms must be piloted at both the political and technical levels. Nigeria's INFF proposes a series of ambitious reforms to fully leverage the country's revenue potential. These require close collaboration between the Presidential Fiscal and Tax Reforms Committee, the Ministry of Finance, federal and state internal revenue services and key nonstate actors, private sector representatives and INFF governance structures.
- An SDG-aligned private sector contribution can only be realized through a robust legal framework and a principles-based approach. This approach entails ongoing dialogue between businesses and public-sector institutions at different levels.
- Funding for early-stage impact ventures is essential for kick-starting domestic industries. However, mobilizing such funding requires coordinated, long-term efforts from all partners.
- Rallying stakeholders behind a comprehensive INFF needs support from the highest level and a realistic, costed implementation plan with clear funding arrangements.
- Support from the INFF Secretariat should be strategically planned to ensure continuity and minimize potential disruptions caused by changes in government.

To enhance government leadership of a coherent and costed INFF approach, the Nigerian Government is proposing the establishment of an INFF Fund to drive the implementation of critical INFF initiatives by 2030.[33]

The proposed INFF Fund aims to strengthen collaboration and financial commitment from the government and key partners through a shared contribution framework aligned with the government's SDG financing priorities. Going forward, the INFF Core Working Group will propose an appropriate structure, terms of

33. Swift Reporters, FG, EU And UN Push For Integrated National Financing Framework Fund, 2023.

reference and implementation timeline to set up this catalytic fund.[34] Envisioned as a government and multi-donor financial commitment, the INFF Fund will align with the government's SDG financing priorities over the next seven years. It will serve as a catalyst to advance the implementation of the INFF by scaling SDG-aligned financing and mobilizing both domestic and international resources.

RECOMMENDATIONS FOR THE NEXT PHASE OF INFF IMPLEMENTATION

As the Nigerian Government revises its INFF Action Plan and Financing Strategy, the following recommendations can enhance the effectiveness of the INFF Fund and maximize its impact:

1. Prioritize strategic policy reforms: Update the Action Plan and Strategy to reflect the evolving national development context, focusing on high-impact actions identified in the 2022 version. Emphasize scaling up successful pilot initiatives and consider concentrating on thematic areas such as climate, energy, agriculture and social infrastructure. Where necessary, narrow the scope of earlier strategic objectives and initiatives to ensure a more targeted approach. Establish a clear monitoring framework to guide implementation and drive progress towards sustainable development outcomes.

2. Strengthen public expenditure reforms: Enhance public expenditure reforms to ensure they are coordinated with and effectively linked to revenue reforms. This alignment is crucial for creating a balanced, sustainable fiscal environment that supports long-term development goals.

3. Deepen subnational INFF processes: Continue to deepen and strengthen the INFF process at the subnational level to ensure that all state governments are equipped to advance financing strategies and innovations that contribute to state and national financing priorities. This will enhance localized decision-making and resource allocation that is tailored to the unique needs of different regions.

4. Cautious expansion of innovative bond instruments: Explore issuing additional innovative bond instruments, such as green or SDG-linked bonds, to diversify financing options and attract investment while managing risk and ensuring debt sustainability.

5. Scale up support for SDG-enabling private businesses: Building on the successes and insights gained from the SDG Investor Maps, expand support for private businesses advancing the SDGs. Enhance incentives for nationwide venture capital investments to foster a robust ecosystem for entrepreneurial development and innovation.

6. Operationalize the INFF Fund: Ensure the INFF Fund is fully operational and can facilitate coherent and holistic resource mobilization across both domestic and international financial institutions and investors. The INFF Fund should build on and scale up initiatives that have already been delivered and piloted, promoting full implementation of the INFS and the scaling up of state-level pilots nationwide.

By focusing on these strategic areas, Nigeria can strengthen its financing framework, ensuring that it meets its current sustainable development goals while establishing a resilient, dynamic financing environment for the future.

34. Nigeria INFF, Proposed Implementation Support Funding Mechanism, 2024, PowerPoint presentation.

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