

COUNTRY CASE STUDY

Nigeria Case Study

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Key messages:

- An integrated financing strategy serves as a starting point for locally-driven reform efforts in Nigeria, leveraging existing processes and structures.
- Nigeria shifts to a medium-term perspective to ensure step-by-step fiscal reform.
- Broad-based coordination is institutionalized as a supporting mechanism to ensure the integration of financing strategies.

Pioneer of the INFF process – The Federal Republic of Nigeria boasts diverse geography and abundant natural resources, particularly oil and petroleum. It holds the position of the largest economy and the most populous country on the continent. Since the launch of the Millennium Development Goals in 2000, progress had been made in multiple areas including poverty reduction and health improvement between 2000 and 2015¹. Prior to 2016, the Nigerian economy experienced rapid annual growth of 6.3%².

However, challenges brought by heavy dependence on the oil sector, including high vulnerability to externally induced shocks and lack of economic diversification, are hampering the country's sustained development. Other challenges such as limited public sector revenue base, fiscal management shortcomings, policy inconsistency, inequality, and the further reduced confidence of domestic and foreign investors, are also notable. In 2016, the Nigerian economy experienced a substantial setback due to the oil price crash, and subsequently, the COVID-19 pandemic further exacerbated the economic downturn. From 2015 to 2016, the country's GDP (Constant 2015 USD) dropped from 493.03 billion to 485.06 billion, down 1.6%³. It was estimated that there exists a \$10 billion USD⁴ annual SDG financing gap.

To achieve sustainable economic growth and create a more favorable environment for SDG financing, the country is committed to enacting multidimensional policy reforms and strengthening the planning process. In light of this, the INFF was adopted as a guiding, coordinating, and supervising mechanism that supports national development priorities. The Nigeria INFF aims to forge cohesive, nationally owned sustainable development strategies built on existing plans and structures.

Developing an INFF – As a pioneer of the INFF process, Nigeria's INFF process started in 2019. In 2020, the country undertook the Development Finance Assessment (DFA)

¹ <https://inff.org/resource/nigeria-development-finance-assessment>

² <https://inff.org/resource/nigeria-integrated-national-financing-framework>

³ <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD?end=2022&locations=NG&start=1960>

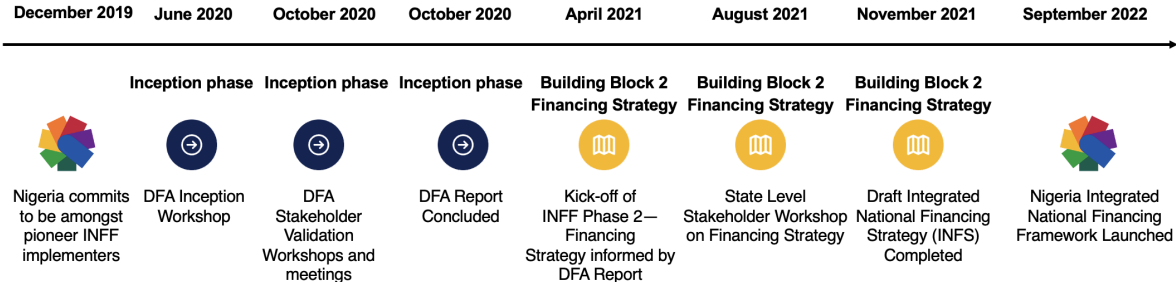
⁴ <https://inff.org/country/nigeria>

with support from UNDP that outlines the financing landscape, gaps, and potential initiatives, as part of the foundational research during the INFF Inception Phase. Further Assessment and Diagnostics (Building Block 1) were carried out through desk reviews, key stakeholder consultations, and national-level workshops. In 2021, the design of the Nigeria INFF Financing Strategy (Building Block 2), also the heart of an INFF, kicked off, and was officially launched in September 2022⁵ together with the Monitoring and Evaluation Framework (Building Block 3) and the Governance and Coordination Framework (Building Block 4) to ensure key stakeholders work collectively on the priority issues.

The INFF process is led by the Federal Ministry of Finance, Budget, and National Planning, with the Office of the Senior Special Assistant to the President on SDGs (OSSAP-SDGs) serving as the Secretariat. A high-level INFF steering committee, chaired by the Minister of Finance, Budget, and National Planning and comprising government institutions, regional and multilateral development banks, donor country partner (the European Union), United Nations Resident Coordinator, and the private sector advisory group, supervises the INFF process. This committee defines the scope and objectives of the INFF roadmap to ensure its alignment with broader reforms. A Multistakeholder Core Working Group (CWG-INFF) was also assembled to provide strategic technical leadership and support to the Steering Committee. This group includes senior technical representatives from organizational members of the Steering Committee.

Funding was provided by UNDP in collaboration with the European Union to support initial initiatives in the INFF action plan. In May 2023, an INFF Fund was further called for by the former chair and members of the INFF Steering Committee for the coordinated, timely implementation of the entire action plan.

Figure 1. Development process for the Nigeria INFF



⁵ <https://inff.org/assets/resource/nigeria-integrated-national-financing-framework.pdf>

SDG financing through better integration and greater alignment – The Nigeria INFF provides a high-level, holistic framework that promotes greater alignment in policy, regulation, instrument, etc., as well as better engagement of diverse stakeholders, and multidimensional reforms covering the public, private, domestic, and international financing areas. It supports the country’s medium-term development plan and the eight SDG priorities identified in the Medium-Term National Development Plan (2021–2025) and National Poverty Reduction with Growth Strategy (NPRGS) (2021). The need for effective integration of national planning and budgeting processes is emphasized as well, which is expected to be achieved through high-level coordination from the Ministry of Finance, Budget and National Planning, each level of government, key stakeholders, and society.

The objective of the Nigeria financing strategy is to expand the public and private financing envelope. As such, initiatives are developed in the four identified quadrants of financing sources, i.e., domestic public, domestic private, international public, and international private. Table 1 shows the four key financing opportunities and the respective financing sources.

Table 1. Key financing opportunities and financing sources for the Nigeria INFF⁶

Domestic public revenue	Domestic private sector	International public financial sources	International private capital
<ul style="list-style-type: none"> • Enhancing Federal Revenue Base • Enhancing States’ Revenue Base • Coordinating Budget Processes and Modifying Public Spending and Management Practices • Innovations in Public Debt Management/Debt Sustainability • Catalyzing GOEs and the Sovereign Wealth Fund • Capturing Illicit Financial Flows 	<ul style="list-style-type: none"> • Enabling Business Environment • Mobilizing Banks and Local Financial Institutions • Incentivizing Local Investors and Mobilizing Other Institutional Investors • Scaling Up Sustainable Finance 	<ul style="list-style-type: none"> • Multilateral Development Banks and Development Finance Institutions • Official Development Assistance (ODA) • Export Credit Agencies (ECA) 	<ul style="list-style-type: none"> • Remittances • Foreign Direct Investment and Investment Policy • Promoting Private Equity Funds, Venture Capital Investment and Angel Investment • External Bond Purchases and Debt Financing (diaspora, social impact, priority projects, green, etc.)

⁶ <https://inff.org/assets/resource/nigeria-integrated-national-financing-framework.pdf>

For example,

- Given Nigeria's high debt level and small revenue base which is also subject to oil-price-induced fluctuation risks, tax administration should be enhanced to increase public revenue and improve fiscal sustainability. The existing tax system is largely non-digitalized and inefficient, which disincentivizes taxpayers from complying with the necessary tax regulations. To add to the existing efforts of taxpayer e-registration, automating payment systems, and *TaxProMax* tax administration system implementation, "digitalizing tax administration system" is thus listed among the suggested instruments that could broaden the tax base and ensure end-to-end digitization of the tax administration process.
- Greater contribution of the private sector is also expected to fuel the transformation. To release domestic private financing resources, both formal and local institutional investors and pension funds are targeted given their important intermediation role of capital allocation, advisory service provider, and risk diversification. The Central Bank of Nigeria has already implemented significant reforms for effective regulation of banks on credit distribution, process digitalization, financial inclusion, etc., and introduced the digital fiat currency *eNaira* in 2021. Therefore, "mobilizing banks and local financial institutions" through better regulations, incentives, and innovation support is further suggested by the INFF financing strategy to enhance the existing financial inclusion effort and expand the availability of long-term financing.

To ensure gradual changes over time, Nigeria shifts from short-term planning to medium-term action plans, and the country's financing strategy is further supported by the Medium-Term Revenue Strategy (MTRS) and the Medium-Term Expenditure Framework (MTEF). The two strategies respectively promote evolution in public revenue and spending to build fiscal robustness and fund its SDG priorities while providing policy certainty.

The Nigeria INFF offers a comprehensive solution built on national priorities, guiding the country through multifaced challenges and multidimensional changes to reach sustainable development. According to Mrs. (Dr.) Zainab Shamsuna Ahmed, former Minister of Finance, Budget and National Planning, "The INFF is an important tool for not only mobilizing the domestic and international resources required to finance the SDGs, but also for ensuring the appropriate governance framework, partnerships, and monitoring framework to ensure its success."



Integrated National
Financing Frameworks

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