



Integrated National Financing Frameworks: The Nigeria Experience

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(August 25th, 2021)

Financing for Sustainable Development in Nigeria

Nigeria is committed to ensuring sustainable and inclusive growth, and achieving the Sustainable Development Goals (SDGs) under the 2030 Agenda

- ▶ Core aspects of the Nigeria SDG strategy have included early domestication, integration and implementation through sub-national mainstreaming, inter-agency coordination and institutional strengthening.

Even with the progress made so far, our analysis and data modeling (using the domesticated iSDG tool), estimate a (pre-COVID) SDG financing gap of \$US100 billion over the next 10 years.

- ▶ Like other countries, financing and achieving the SDGs in Nigeria remains a challenge – it remains a challenge to mobilize the public and private funds needed for sustainable development in Nigeria.
- ▶ With high debt levels, a fiscally constrained space and low domestic revenues, more than 50% of revenues go towards debt service payments
- ▶ As we continue our efforts to build back better post COVID-19, we are working to proactively close this financing gap, in part through ongoing reforms aimed at enabling the business environment, creating the right fiscal space for investments, and supporting our diversification efforts away from oil and gas.
 - ▶ Implementation of post-COVID interventions and reforms under the Economic Sustainability Plan (ESP) our fiscal stimulus plan
 - ▶ Finance Acts – incremental fiscal reforms tied to our annual budgets, to support the realization of revenue projections; adopt appropriate counter-cyclical fiscal policies; and enhance the efficiency of fiscal incentives
 - ▶ Strategic Revenue Growth Initiatives
 - ▶ Private sector engagement is critical – our private sector is yet to fully exploit opportunities from investments relating to SDGs due to a combination of factors including rigid business environment, lack of institutional back-up and coordination issues, among others
 - ▶ Strategic deployment of international partner financing

The INFF Process in Nigeria

“We see the development of a Government Led Integrated National Financing Framework as crucial, particularly in the context of the response to the COVID-19 pandemic; and as we work on the next generation medium and long term national development plans.”

- Mrs. (Dr.) Zainab S. Ahmed, Hon.
Minister of Finance, Budget, and
National Planning - Nigeria

Four building blocks:

- i. Assessments and diagnostics
- ii. Financing strategy
- iii. Mechanisms for monitoring, review and accountability
- iv. Governance and coordination mechanisms.



Institutional Structure for the INFF in Nigeria (1/2)*

High-Level Steering Committee

Chair – Honourable Minister of Finance, Budget, and National Planning

Members

1. Government:

- a) Hon. Minister of State, Budget and National Planning
- b) Governor of the Central Bank of Nigeria
- c) Chairman Nigeria Governors Forum (NGF) Governor
- d) Director General (DG) Budget Office of the Federation
- e) Senior Special Assistant to the President (SSAP) on the Sustainable Development Goals (SDGs)

2. Development Partners:

- a) United Nations (UN) Resident and Humanitarian Coordinator
- b) United Nations Development Programme (UNDP)
- c) European Union (EU) Ambassador to Nigeria
- d) World Bank (WB) Country Director
- e) International Monetary Fund (IMF) Resident Representative
- f) Africa Development Bank Group (ADB) Senior Director of the Nigeria Country Office
- g) Islamic Development Bank (IsDB) Director Abuja Regional Hub

3. Others:

- a) Co-Chair Private Sector Advisory Group (PSAG) on SDGs

- Government-led multistakeholder high level steering committee overseen by the Hon. Minister of Finance, Budget and National Planning
- Oversees the INFF process in Nigeria and determines the scope and specific objectives of the INFF roadmap, including linkage with wider planned or ongoing reforms
- **The Office of the Senior Special Assistant to the President on the Sustainable Development Goals (OSSAP-SDGs) serves as the Secretariat for the INFF**

* The INFF institutional arrangement is dynamic and allows for the addition of relevant stakeholders to strengthen engagement and oversight

Institutional Structure for the INFF in Nigeria (2/2)*

Core Working Group

1. Ministry of Finance, Budget, and National Planning (Co-Chair)

- ▶ Director Macroeconomic Analysis (Co-Chair)
- ▶ Director International Economic Relations
- ▶ Director Economic, Research & Policy
- ▶ Director, National Monitoring & Evaluation
- ▶ Special Adviser to Hon. Minister on Performance Management & Development Cooperation

2. UNDP (Co- Chair)

- ▶ Senior Economic Adviser UNDP

3. OSSAP – SDGs

- ▶ Deputy Director, Head Sectors
- ▶ Snr. Technical Advisor
- ▶ Special Assistant

4. Central Bank of Nigeria (CBN)

5. Debt Management Office (DMO)

6. Budget Office of the Federation (BO)

7. National Bureau of Statistics (NBS)

8. European Union (EU)

9. International Monetary Fund (IMF)

10. Private Sector Advisory Group on SDGs (PSAG)

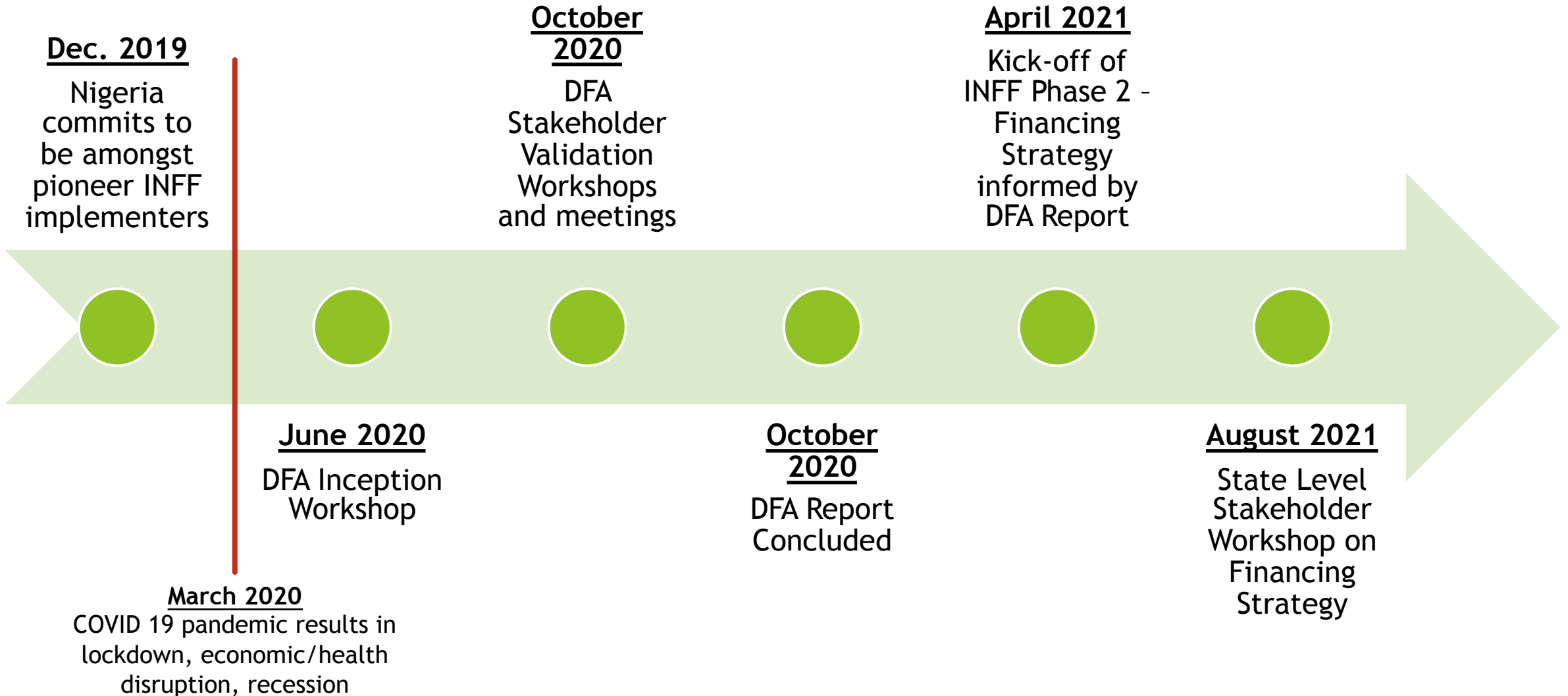
11. African Development Bank Group (AFDB)

12. Islamic Development Bank (ISDB)

- A Multistakeholder Core Working Group (CWG-INFF) convened to provide strategic technical leadership and support to the Steering Committee in the design and implementation of the INFF.
- The group comprises senior technical representatives from each of the listed stakeholders

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The INFF Process in Nigeria: Key Milestones



The Development Finance Assessment: Strategic Focus Areas

Financing

- Can greater levels of financing be raised? What are the opportunities and challenges?
- How can financing be used more efficiently and effectively? How can the concept of an INFF support this and what reforms can strengthen it?
- How can risks and constraints be managed and progress made?

Strengthening link between planning and financing

- Review the overall framework for planning and financing in Nigeria, focusing on FGN and State gov examples.
- How do planning strategies support gov and other financing actors? E.g. are they costed and aligned, is there priority setting?
- What feedback mechanisms exist to guide alignment of financing according to development priorities? Could they be strengthened?

Public/Private Coordination

- Review of the business climate for private sector investment
- What institutional mechanisms does government use to coordinate its policies towards different types of private finance? What capacity challenges exist that constrain coordination within government and engagement with various private sector actors
- Assess how government could work to capitalise and guide innovative forms of financing, including PPPs, further diaspora financing, CRS, blended finance.

Monitoring and review

- Understanding the various ways government tracks and monitors financing. How could these and process for efficient delivery be strengthened?
- How do planning and financing structures like to outputs and outcomes? What monitoring frameworks exists to track progress?
- Examine statistical systems to review the extent to which developmental progress can be tracked in timely fashion to inform planning and financing processes.

Transparency and accountability

- How the government and other financing actors share information on their operations to inform interested stakeholders? What are the various reporting standards and how do wider stakeholders perceive the information provided meets their needs.
- Review of wider enabling environment and ways that trust and communication could be strengthened between the government and wider stakeholders for improved outcomes (e.g. taxpayer compliance, private sector investment)

The Development Finance Assessment: Key Emerging Messages

1. Widening financing gap: Stagnating development finance flows contrasts with rising financing needs over the medium-term:

- *Adopt dual approach to accelerate SDG financing:*
 - i) maximize development impact of available finance, combined with*
 - ii) governance and structural reforms to increase development finance over time*

2. Multiple government strategies, plans and instruments to support development finance risks dispersing efforts and scarce resources, while undermining governance (unclear prioritization, limited accountability and transparency, etc.):

- *Improve vertical and horizontal coherence by mainstreaming national SDG monitoring framework across covid-19 response (ESP), recovery and the long-term development plan along with their underlying action plans and financing policies across federal and state level.*

3. An INFF could provide the high-level, holistic framework through which to prioritize, coordinate and supervise this multidimensional recovery agenda and accelerate SDG financing in Nigeria:

- *Use existing national SDG implementation architecture (e.g. Office of the Senior Special Assistant to The President on SDGs)*
- *Harness momentum of Nigeria's second VNR and underpinning consultation mechanism to inform the formulation of the successor to the ERGP.*

Development Finance Assessment: Key Recommendations (1 / 3)

Government revenue:

- ▶ Medium-Term Revenue Strategy, including rationalizing tax incentives, fiscal policy to influence behaviour (carbon tax, sin tax, sugar tax), tackle tax evasion/avoidance (TIWB)
- ▶ Rationalise spending and reduce inefficiencies:
 - electricity subsidies, FAAC transfers
- ▶ Develop a debt management strategy:
 - e.g. consider debt swaps (e.g. debt-for-nature or debt-for health)
 - Diversify Bond issuances: Green, Sukuk, Diaspora, State level, Municipal
- ▶ Consider SDG financing solutions to connect budget process with results: e.g. SDG budgeting, environmental budget tagging
- ▶ Expand the use of best practice in raising of internally generated revenue across states to reduce disparities between states and over-reliance on FAAC funding

International public finance:

- ▶ Aid effectiveness: Harness momentum of the COVID-19 coordinated support from development partners to improve aid effectiveness (transparency, coordination, alignment), e.g. sectoral trust funds for priority areas of the successor plan to the EGRP (health, education, environment)
- ▶ Blended finance: IFIs to provide blended finance for de-risking priority infrastructure projects, seed funding project appraisals, providing credit for on-lending to SMEs in the 'green' economy, etc.

Development Finance Assessment: Key Recommendations (2/3)

Private Finance Flows

Priority = **Adopt a strategic approach to involve wider set of private finance actors and flows within the formulation process of the 2020-25 development plan:**

- ▶ Adopt specific financing strategies for Diaspora, Remittances, Zakat, Philanthropy, Equity financing, impact investment, etc.
- ▶ Harmonize existing private sector strategies (SMEs, FDI, export promotion, etc.) with the requirements of the 2020-25 development plan
- ▶ Mainstream standardized sustainability criteria across all private financing strategies
- ▶ Consider how to harness (international) institutional capital

Consider **genuine and effective public-private dialogue (PPD)** mechanisms to inform these strategies and discuss the concrete contributions of the private sector to the implementation of the COVID-19 recovery efforts.

- ▶ Map/review existing and past approaches to PPD in Nigeria for lessons learned
- ▶ Build on what works and integrate these PPDs into the national SDG implementation architecture

Development Finance Assessment: Key Recommendations (3/3)

Enabling Environment

Improvements to budget process

- ▶ Establish a budget calendar containing specific milestones for the production of key documents to increase the time available for scrutiny and consultation
- ▶ Consider an independent body responsible for economic forecasts and the setting of key budget parameters, such as expected oil price and production levels
- ▶ Consider the use of outcome-based budgeting to improve the linkages between planning and outcomes

Improvements to data and transparency

- ▶ Take steps to ensure complete and consistent information is published to the Open Treasury portal
- ▶ Increase resources available to and improve the quality of the national statistical system, e.g. in the area of civil registration
- ▶ Conclude the implementation of a public register of beneficial owners of companies

Development of a Financing Strategy (Phase 2) is currently ongoing (1/2)

Emphasis is on the establishment of a Financing Strategy and Framework towards better integration of national planning and public budgeting processes, and alignment of policy and regulatory, in part through:

- ▶ In-depth analysis and review of the financial sources in Nigeria and relevant policies, and strategies (informed by the country DFA)
- ▶ Engagement across all relevant stakeholders, including Federal government, private sector, CSOs, State and local governments, and development partners

A State level workshop was held in August 2021, targeted at State Commissioners of Finance, Commissioners of Budget and National Planning and SDG Offices/Focal Persons

- ▶ To gain a better first-hand understanding of state financing strategies, business processes/policy cycles, and entry points will enable us to craft a Financing Strategy that speaks functionally to Nigeria's unique context and developmental aspirations, while also recommending how the governance mechanism can be enhanced to ensure sustainable financing of the SDGs.

Development of a Financing Strategy (Phase 2) is currently ongoing (2/2)

Next steps will include:

- ▶ **Preparation of a finalized Integrated Financing Framework**
- ▶ **Drafting of a Medium-Term Expenditure Framework (MTFs) outlining the costs of implementing priority SDGs as well as a draft Medium-Term Revenue Strategy (MTRS) outlining potential revenue sources**
- ▶ **Finalized INFF road map and M&E Framework**
- ▶ **Establishment of a Governance and Coordination Mechanism Framework**
- ▶ **Fiscal Federalism and Coordination Framework**

Key Lessons Learned from the Nigeria Experience So Far

▶ **Critical to ensure a government-led INFF process:**

- Ownership and leadership from key federal and state level stakeholders
- leverage existing structures for achieving the Sustainable development Goals (i.e., OSSAP-SDGs in Nigeria)

▶ INFF process benefits and results in richer analysis and outcomes where private sector, development partners, and state level leaders “have a seat at the table”

▶ A mix of individual and small group engagements and larger thematic stakeholder workshops makes for a more comprehensive process for: (1) harvesting inputs; (2) building capacity around the INFF process; and (3) ensuring stakeholder ownership in the INFF process and its outcomes

▶ **Important to leverage existing processes at Federal and State level. In Nigeria this includes:**

- Ongoing development of national medium-term and long-term development plans
- Fiscal reforms aimed at diversifying the economy away from oil revenues and increasing domestic revenues
- Structures and interventions aimed at ensuring a resilient and more inclusive recovery post COVID-19, including fiscal stimulus plans, human capital and social protection reforms, etc.

Thank you!

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