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Agenda Item 7: Sustainable Public Finance

Public finance is the lifeblood of governance, shaping the quality of education, healthcare, and infrastructure available to citizens. As a young Nigerian in my early twenties, I have witnessed firsthand the consequences of fiscal instability: rising unemployment, inadequate public services, and a widening gap between the rich and poor. Nigeria's journey toward sustainable public finance is not just a policy challenge—it is a matter of survival for my generation. This submission outlines actionable strategies to address systemic vulnerabilities while emphasizing inclusivity, transparency, and long-term resilience.

The State of Public Finance in Nigeria: A Youth's Lens

Nigeria, Africa's most populous nation and largest economy, grapples with a paradox. Despite its vast natural resources—including oil, gas, and arable land—the country struggles to translate these endowments into equitable development. The overreliance on oil revenue, which accounts for nearly 90% of foreign exchange earnings, has created a fiscal rollercoaster. When global oil prices plummet, as they did in 2014–2016 and again during the COVID-19 pandemic, the economy contracts, budgets shrink, and social programs suffer.

The removal of fuel subsidies in 2023 marked a pivotal moment in Nigeria's fiscal history. While the policy aimed to redirect funds to critical sectors like healthcare and education, its execution lacked adequate safeguards for vulnerable populations. Overnight, fuel prices tripled, transportation costs soared, and inflation eroded the purchasing power of ordinary Nigerians. Small businesses, which employ over 80% of the workforce, faced existential threats. A common example is the taxi riders in places like Abuja, who saw their daily earnings halve due to rising fuel costs. This experience underscores a critical lesson: fiscal reforms must prioritize social equity to avoid exacerbating poverty.

Nigeria's tax system further illustrates these challenges. With a tax-to-GDP ratio of 10%—one of the lowest in Africa—the government struggles to fund public services. In my work with small businesses, I've observed that many entrepreneurs want to contribute to national

development but are deterred by complex tax processes, arbitrary levies, and a lack of trust in how revenues are used.

Challenges to Sustainable Public Finance

1. Revenue Volatility and Oil Dependency

Nigeria's economy remains shackled to oil, a sector prone to global price swings and geopolitical tensions. This dependency stifles diversification efforts in agriculture, manufacturing, and technology—sectors with immense potential to create jobs for youth. For instance, despite having 84 million hectares of arable land, Nigeria spends billions annually importing food. Redirecting investments to agribusiness and agro-processing could reduce import bills, create rural employment, and stabilize revenue streams.

2. Debt Servicing and Fiscal Space Constraints

Public debt has surged to over 35% of GDP, with debt servicing consuming 96% of federal revenue in 2023. This leaves little room for capital projects, such as upgrading Nigeria's dilapidated power infrastructure, which loses \$29 billion annually due to outages. Youth-led tech startups, which rely on stable electricity, are forced to spend scarce resources on diesel generators, stifling innovation.

3. Weak Tax Compliance and Informal Sector Exclusion

Nigeria's informal sector, which employs 80% of the workforce, remains largely untaxed. During a community survey in Kano State, Independent Surveyors met artisans and traders eager to formalize their businesses but wary of bureaucratic hurdles. Simplifying tax registration, leveraging mobile technology for payments, and offering incentives for compliance could unlock billions in untapped revenue.

4. Expenditure Leakages and Accountability Gaps

Corruption and inefficiency drain public resources. A 2023 audit revealed that 2.3 trillion naira (\$2.8 billion) allocated to infrastructure projects could not be accounted for. In a particular LGA, a state-funded hospital project stalled for five years despite multiple budget allocations. Such failures erode public trust and deter foreign investment.

5. Centralized Fiscal Governance

Nigeria's federal structure concentrates fiscal power at the national level, leaving states and local governments dependent on monthly allocations from the central government. This stifles local innovation. For example, Lagos State—Nigeria's economic hub—generates 70% of its revenue internally through taxes and levies, demonstrating the

potential of subnational fiscal autonomy. Replicating this model nationwide could empower communities to address their unique needs.

Strategies for Sustainable Public Finance: A Youth-Led Vision

1. Diversify Revenue Sources Through Technology and Innovation

Nigeria's tech sector, driven by youth innovators, offers a blueprint for revenue diversification. Digital platforms like Flutterwave and Paystack have revolutionized financial services, demonstrating the potential of homegrown solutions. The government should partner with tech startups to digitize tax collection, reduce leakages, and broaden the tax net. For instance, a unified digital identity system could link tax compliance to access to government services, creating mutual accountability.

Additionally, Nigeria must invest in non-oil exports. The creative industry—Nollywood, music, and fashion—generates \$2 billion annually but receives minimal state support. By formalizing this sector and integrating it into export promotion programs, Nigeria can tap into global markets while creating jobs for young creatives.

2. Reform Debt Management and Leverage Alternative Financing

Debt sustainability requires transparent borrowing frameworks and strict oversight. Nigeria should prioritize concessional loans for projects with measurable social impacts, such as renewable energy and rural broadband infrastructure. Green bonds, which fund climate-resilient projects, could attract ethical investors while addressing environmental challenges.

Diaspora engagement is another untapped resource. Nigerians abroad remitted \$20 billion in 2023, surpassing oil revenues. Establishing diaspora bonds with competitive interest rates could channel these funds into critical sectors like healthcare and education.

3. Strengthen Tax Administration and Incentivize Compliance

To mobilize domestic revenue, Nigeria must simplify its tax regime. A single digital portal for business registration, tax filing, and payment would reduce bureaucracy. Linking tax compliance to benefits—such as access to low-interest loans or government contracts—could incentivize participation.

The informal sector, which contributes 65% of GDP, should be gradually integrated into the tax system through awareness campaigns and tiered tax brackets. For example, street vendors earning below a threshold could be exempted, while mid-sized enterprises contribute modestly based on turnover.

4. Enhance Public Expenditure Efficiency and Accountability

Adopting open budgeting platforms would enable citizens to track real-time expenditure data. In better-developed countries we have seen technologies made available to let citizens track government expenditure and monitor what is being spent, we already have such technology available in Nigeria. Scaling such initiatives nationally would empower communities to hold leaders accountable.

Procurement reforms are equally critical. Mandating competitive bidding for contracts above \$10,000 and publishing bid outcomes online would curb favoritism. Youth-led civil society organizations could serve as independent monitors, ensuring compliance with transparency standards.

5. Decentralize Fiscal Authority and Empower Subnational Governments

States should be granted greater autonomy to generate and manage revenue. For example, mineral-rich states like Plateau (tin) and Zamfara (gold) could negotiate direct partnerships with mining firms, retaining a share of royalties for local development.

Capacity-building programs for local officials are essential. For example, a youth-led initiative training 100 or more civil servants in a state on digital budgeting tools thereby improving expenditure in the state and reducing wasteful spending. Replicating this model nationwide would strengthen governance at all levels.

The Role of Youth in Driving Fiscal Transformation

Young Nigerians are not passive observers but active stakeholders in fiscal governance. Our tech savvy, entrepreneurial spirit, and demand for accountability position us as catalysts for change. For instance, during the 2020 #EndSARS protests, youth organizers used crowdfunding platforms to raise millions for legal aid and medical care, demonstrating the power of grassroots resource mobilization.

To institutionalize youth participation, the government should:

- Establish youth advisory boards within finance ministries to provide input on budgetary priorities.
- Integrate fiscal literacy into school curricula, empowering the next generation to engage with public finance.
- Create innovation grants for youth-led projects addressing revenue diversification and transparency.

Conclusion: A Call for Inclusive and Adaptive Reforms

Sustainable public finance in Nigeria hinges on bold, inclusive reforms that prioritize the needs of future generations. By diversifying revenue, leveraging technology, decentralizing authority, and engaging youth as partners, Nigeria can break free from cyclical fiscal crises. These efforts must be underpinned by transparency, accountability, and a commitment to leaving no one behind.

The international community, including the United Nations, can support this transition by facilitating knowledge exchange, providing technical assistance for digital governance, and amplifying youth voices in global forums. Together, we can build a fiscal framework that ensures prosperity for all Nigerians—today, tomorrow, and for decades to come.