**NEW AND EMERGING SOURCES OF FUNDING SUSTAINABLE DEVELOPMENT GOALS (SDGS) IMPLEMENTATION: BEING A PAPER PRESENTED BY THE HONOURABLE MINISTER OF FINANCE, MRS. KEMI ADEOSUN AT THE 15TH MEETING OF THE 2016 JOINT PLANNING BOARD, (JPB) AND THE NATIONAL COUNCIL ON DEVELOPMENT PLANNING (NCDP) MEETINGS HOLDING FROM TUESDAY, 23RD – THURSDAY 25TH AUGUST, 2016 IN KANO, KANO STATE.**

**Introduction**

Nigeria was among the 189 countries worldwide that endorsed the United Nations Millennium Declaration in New York in September 2000, which led to the adoption of the eight time-bound Millennium Development Goals (MDGs) with several targets and indicators to be achieved by 2015.

In September 2015, world leaders converged at the United Nations Headquarters in New York, to consider and adopt a new comprehensive, attainable and transformational development agenda. The Outcome Document adopted during the summit outlines a set of **17 Sustainable Development Goals (SDGs)** and 169 targets, aimed at eradicating poverty in all its forms and shifting the world onto a sustainable and resilient development pathway while ensuring that ‘no one is left behind’. The SDGs seek to build on, and complete the unfinished business of the MDGs; realize the human rights of all; achieve gender equality in all sectors and spheres of life; and importantly, strike a balance between economic, social and environmental dimensions of development. The Outcome Document inter alia, calls on member states to “develop as soon as practicable, attainable national responses to the overall implementation of this new agenda, in order to support the transition to the SDGs and build on existing planning instruments, such as national development and sustainable development strategies”.

**NIGERIA’S FISCAL SPACE AND SUSTAINABLE DEVELOPMENT GOALS (SDGs)**

The rapidly depleting revenue from oil, set off by a sudden fall in the price of crude oil from $114 per barrel in June 2014 to less than $30 per barrel as at December 2015, attributed to the slowdown of China’s economy, development of shale oil in the US, in conjunction with probable oil supply expectations from Iran after the lifting of economic sanctions, caused a major disequilibrium in Nigeria’s fiscal management, leading to a series of short-term and ad hoc measures at the Central Bank of Nigeria. The immediate fiscal effects constituted reduced Government income for both recurrent and capital expenditure, as the actual price of oil fell below the benchmark price envisaged in the 2014 and 2015 budgets, rendering the 2015 budget totally unrealistic as gross receipt fell by N1.433 Trillion between July 2014 and January 2015 (CBN, 2015). The budget deficit stood at 0.99% of GDP as at September 2015.

Precisely, a year from the oil price shock, the Third International Conference on Financing for Development held from 13-16 July, 2015 in Addis Ababa, Ethiopia, where 193 member states of United Nations agreed on a wide range of initiative and measures to overhaul global finance practices and generate investment for tackling contemporary economic, social and environmental challenges. In particular, the meeting agreed on the need to build the capacities for domestic resource mobilization and highlights the fact that a multiplicity of financing sources, including private finance through blended finance, will be needed to achieve the Sustainable Development Goals (SDGs). Unlike the MDGs, which were largely premised on the availability of external financing, in the form of Official Development Assistance (ODA), the SDGs, which are more ambitious; and are universal and wider in scope, will require a multiplicity of financing sources.

Domestic Resource Mobilization (DRM) which is the generation of tax revenues and borrowing from domestic, public and private individuals and companies as well as the allocation of such revenue to productive investments within the country, places an increasingly important role in this regard. In particular, DRM reduces an economy’s dependence on external flows which have been found to be highly volatile; allows Government greater flexibility in designing and controlling their development agenda (policy space); conditions states to improve their domestic environment and the management of public affairs which creates a conducive environment for foreign investments; enhances national ownership over development processes; and strengthens the bonds of accountability between Governments and their citizens.

In spite of the fact that taxation is one of the most important components of DRM, Nigeria’s tax to GDP ratio is relatively low and even lower when resource-related taxes, especially oil tax, are excluded. For the period 2000-2013, the average tax revenue as a percentage of GDP was estimated at 6.6% in contrast to South Africa’s figure of 28.08% in 2008 or even 25.96% in 2010. The 2014 rebasing/benchmarking of the GDP, which led to a near doubling of the country’s GDP, brought Nigeria’s tax ratio to a minimal of 3.6% in 2011. For the most part, the petroleum profit tax accounted for 63.93% of total tax revenue in 2012 with the non-oil taxes accounting for only 36.07% at the Federal level. Worse still, the total tax collection increased from N4, 628.476 billion in 2011 to N5, 007.653 billion in 2012, a marginal increase of 8.19%. (FIRS 2015)

In Nigeria, the three tiers of Government: **Federal Government, 36 States Governments and 774 Local Government areas** are, to a large extent, independent authorities in terms of Governance and resource mobilization. However, in majority of the States, pay as you earn (PAYE) dominated all other forms of taxes, accounting in most cases, for more than 80% of the internally generated revenues (IGR), whereas Federal allocation accounts for the largest proportion of revenue sources. In effect, the revenue base of the Federal and State Governments remains precarious in the wake of volatility of oil prices in the international market, and alternative sources of revenue and/or resource mobilization instruments and strategies must be developed if the country is to increasingly fund its development projects from domestic sources.

Nigeria embarked on several steps to reform its tax revenue collection and administration since 2010, which include the introduction of the unique taxpayers’ identification number (TIN); automated tax system that facilitates tracking of tax positions and issues by individual tax payers; and the introduction of an e-payment system, which enhances smooth payment procedures and reduces the incidence of illegal tax consultants, and a stringent enforcement scheme. The impact of tax law amendments remains to be seen.

The second main component of **DRM is borrowing**, which the present Administration is favourably disposed to.

Fiscal space can be viewed as the outcome of interactions between the four dimensions identified by Rajaraman (2009): own fiscal revenue, public debt, external financing and expenditure restructuring. Other determinants of fiscal space include financial markets and intermediation; illicit financial flows; and institutional factors. Fiscal space is a dynamic concept: past policies on taxation, debt, aid solicitation and expenditure management determine the current “budgetary room” available for Government to meet its development goals while current policies and practices with respect to the variables cited above together with (prudent) macroeconomic management, determine the future “budgetary room” available to the Government.

The ability of Government to direct more funds to its basic functions is a positive function of its capacity to create more fiscal space whether through own fiscal revenue, public debt, external financing and expenditure restructuring. However, the appropriate knowledge of the available fiscal space from the individual or aggregate channel is germane to Government’s aspirations to effectively deliver services to its citizens. One of these is the need to deliver and attain the sustainable development goals (SDGs) which appear to cover all aspects of governmental service delivery.

The country also needs to re-examine its public debt management and expenditure patterns, in addition to further developing its financial markets, curbing illicit financial flows and affecting a raft of institutional reforms in order to sustainably finance the SDGs.

**How is Nigeria faring with efforts to achieve SDGs?**

The 70th Session of the United Nations General Assembly, where every member state adopted the 2030 Agenda for Sustainable Development; with a set of 17 SDGs, 169 targets and over 300 trackable indicators, with a framework for a peaceful, just, equitable and inclusive world, aligns with Nigeria's drive to deliver democratic dividends and improve the lives of the poor.

The 2030 Agenda commits all signatory countries to work together to promote sustained and inclusive economic growth, social development and environmental protection; ensure that every person fulfilled his or her potentials in dignity and equality in a healthy environment.

As national processes for the roll-out of SDGs are established globally, Nigeria is taking the lead on the continent by showing best practice in early domestication, integration and implementation of these goals through sub-national mainstreaming, inter-agency coordination and institutional strengthening.

Lesson from the Millennium Development Goals (MDGs) is that the successful implementation of the SDGs will depend on partnership, inclusiveness and accountability. Nigeria recognizes the need for inter-sectoral, inter-Governmental, multi-level and multi-stakeholders' partnerships to enhance success. This is a radical departure from the MDGs.

The SDGs Agenda requires state parties to explore domestic and innovative means of financing through partnership and collaboration at national and regional levels; the private sector and international financial institutions. This is in line with the Addis Ababa Action Agenda (AAAA), the outcome of the third International Conference on Financing for Development. By collaborating with the private sector, the SDGs Office has been leading Nigeria's drive to reduce the huge financing gap that tended to hamper progress on the SDGs.

The AAAA targets Official Development Assistance (ODA) and sets a timeline for their achievement. It however looks beyond ODA, and emphasizes the need to build capacity for domestic resource mobilization.

**SOURCES OF FUNDING SUSTAINABLE DEVELOPMENT GOALS**

The MDGs had no specific framework to mobilize additional resources—other than to reiterate the 0.7 percent target—which was a major shortcoming in the exercise. The ongoing disagreements about the content and packaging of the goals and targets reflects a continuing reluctance by countries with means—be they from the North or the wealthier parts of the South—to commit resources to the post-2015 development framework or to an accounting and monitoring mechanism with independence and teeth to keep commitments under review.

Ultimately, the most important means of implementation will be the **POLITICAL WILL** of all global leaders, which hopefully will be reflected in the “Declaration” in the final document. The latest proposals for the SDGs attempt to do so more comprehensively, in a more meaningful spirit of partnering with Multilateral trading system, was supported by the World Trade Organization (WTO). With the Doha round of negotiations stalled, a number of other initiatives are gathering momentum (e.g., the Trans-Pacific Partnership) and may undercut the WTO process. Moreover, attempts are being made to launch alternative multilateral agreements in trade negotiations that threaten to marginalize further low-income countries.

1. Wide-ranging and intensive discussions could identify possible *new and innovative sources* of finance. Taxes on financial transactions and dismantling tax havens are sources along with devoting a portion of sovereign wealth funds to the implementation of the post-2015 agenda. Resources could be raised from capital markets by floating various medium- and long-term instruments.
2. *Trade in goods* is an important development enabler; therefore, there is need to convert trade opportunities to trade flows in the post-2015 period, both funding commitments and disbursements under the Aid-for-Trade Initiative should increase significantly while the Enhanced Integrated Framework for Least developed Countries (LDCs) also should be adequately resourced. Overseas *remittances* have emerged as an important source of finance for many developing countries. Therefore, the post-2015 development agenda demands that this flow at least remains, and even expands.
3. It is essential to ensure that the incremental revenue comes from direct tax on income and assets, as well as from foreign trade taxes. Improving expenditure efficiency through subsidy reform, especially by phasing out fossil fuel subsidies, can release pressure on the fiscal front.
4. In order to augment domestic efforts to broaden the tax base and revenues, it is also important to implement an international program to deal with illicit financial flows, transfer pricing, and money laundering.
5. *Public-Private Partnerships* could play an important role. Public investment in infrastructure and urban development projects may be leveraged with private capital so as to accelerate SDG delivery. This means could provide an avenue for the private sector to play the enhanced role envisaged by the post-2015 agenda.
6. Wide-ranging and intensive discussions could identify possible *new and innovative sources* of finance. Taxes on financial transactions and dismantling tax havens are sources along with devoting a portion of sovereign wealth funds to the implementation of the post-2015 agenda.
7. Global solidarity levies—for example, **a tobacco levy and a global carbon tax**—should be considered. Further, private philanthropic funds could emerge as a key source of development finance.
8. The promotion of an open and rule-based multilateral trading system, supported by the World Trade Organization (WTO) is essential.
9. The opportunity for greater *labor mobility* should be acknowledged in the post-2015 agenda. To facilitate it, the framework should incorporate Mode IV of the General Agreement on Trade in Services—that is, the temporary movement of natural persons across borders for the purpose of supplying services. In addition, the waiver on providing preferential market access to export of services by the Least Developed Countries (LDCs) should be enacted as soon as possible. The post-2015 development framework should also incorporate the International Labour Organization’s Convention No.143 to protect the basic human rights of migrant workers, which also should be modified to help reduce transaction costs for going abroad and transfer costs for remittances.
10. *Reform of the international tax system* could be important. Combating illicit financial flows, tax evasion, tax havens, and transfer mispricing could enhance domestic resource mobilization.
11. Significant additional resources could be raised by strengthening taxation through international institutional and operational changes and preventing capital flight from developing economies. Estimates show that the annual capital flight from many low income countries surpasses their annual Official Development Assistance (ODA).
12. *Transfer of technology and intellectual property rights* are also essential. Bridging the technology divide is one of the main challenges in implementing the post-2015 agenda. With this in mind, the establishment of a technology bank and supporting mechanisms as promised under the 2011 Istanbul Programme of Actions for the LDCs should be pursued. Providing access to information, communications, and other technologies could also strengthen transformative processes in developing countries. Eliminating the constraints working against the development dimensions of the intellectual property rights regime is one potential major way to enrich the post-2015 implementation process.
13. Providing more scholarships to students from low-income countries could also positively influence the delivery of the post-2015 commitments. Moreover, regional partnerships on knowledge, innovation, and capacity development could be viewed as major non-financial means of implementation.
14. There can be several means of implementation available at the *regional level*. Increased regional integration and more **regional development banks** could help absorb shocks and **finance infrastructure**.
15. Failure to achieve the goals may be correlated with high vulnerability to *climate change*. The issue of climate change could enhance the achievement of the SDGs. Because of the costs associated with both the mitigation of greenhouse gases and other adaptations, both the UN Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol have mechanisms to mobilize financial assistance to developing countries. The degree of ambition of the SDGs could depend on the outcome of the international climate negotiations, and the adoption of the UNFCCC.
16. *Reform of the existing global financial architecture* is required to overcome the lack of appropriate international financial regulation, which has aggravated the vulnerabilities of the system; and the weakest countries have borne most of the cost. Efficiency gains from reforming the global financial architecture could not only provide additional resources but also enhance the prospects for global economic stability and provide safeguards against external economic shocks.

Finally, the international community must help by supporting and strengthening of low income countries’ tax collection systems, but also by curbing international tax evasion, money laundering, and the use of non-transparent offshore companies.

The SDGs financing should focus more on private and domestic resource mobilization, and non-concessional international finance. Concessional international public finance, including Official Development Assistance (ODA), could play a vital role in the poorest countries and for global public goods.

In conclusion, it is hoped that where SDGs are properly funded, its goals and targets would be effectively achieved.

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