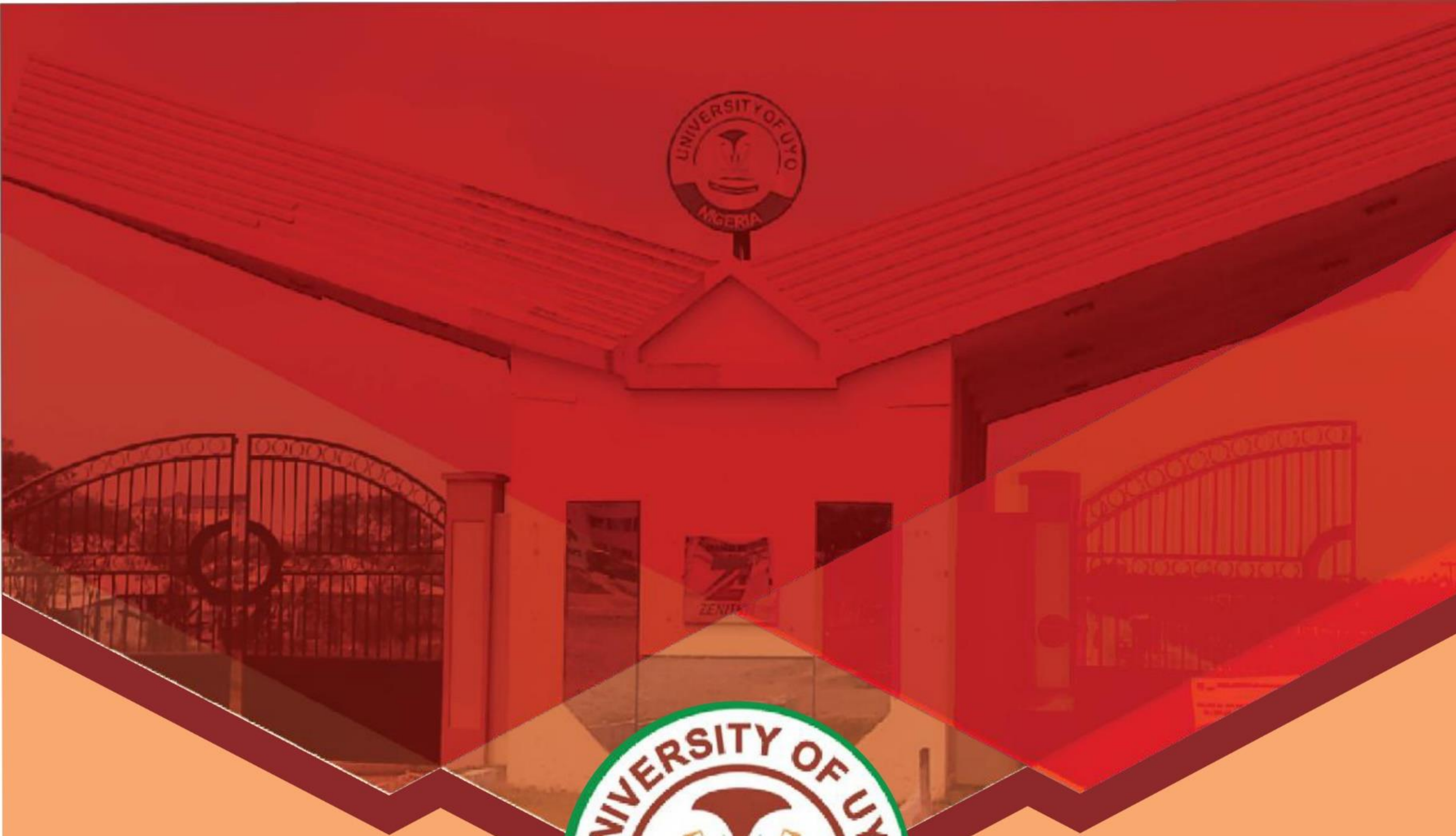

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An Examination of the Legal and Institutional Frameworks for Financing of Social Projects in Nigeria

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Abstract

Promoting innovation for social project financing in Nigeria involves government policy support, encouragement of partnerships and capacity building through training for both innovators and investors. This paper interrogates, primarily, the existing mechanisms for financing social projects, assessment of their adequacy, and suggestions for reforms that will promote sustainable, inclusive, and innovative funding approaches. Key legislative enactments such as Constitution of the Federal Republic of Nigeria, 1999 (as amended), Banks and Other Financial Institutions Act, 2020, Infrastructure Concession Regulatory Commission Act, 2005, and other sector-specific regulations provides the impetus for the analyses of the legal framework relevant to this discourse. It is also within the ambit and contemplation of this paper to evaluate the role of institutional actors such as Federal Ministry of Finance, Budget and National Planning, Central Bank of Nigeria, Bank of Industry, Nigeria Sovereign Investment Authority, and development international and regional financial institutions such as World Bank and African Development Bank. Institutional capacity gaps, political interference, and low public awareness have been mirrored as constraints to the effectiveness of existing structures. This paper recommends strengthening legal provisions to explicitly promote innovative financing; building institutional capacity for policy design, monitoring, and evaluation; fostering public-private partnerships; as well as leveraging fintech solutions.

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1. Introduction

Economic stagnation, poverty, social inequalities, and inadequate infrastructure are amongst the challenges buffeting developing countries like Nigeria in the sphere of social projects.[1]Amidst these challenges, social projects, which are organized initiatives aimed at solving societal problems,[2] play a crucial role in national growth and transformation. These projects often target critical sectors such as education, healthcare, youth empowerment, and poverty alleviation, offering sustainable models of inclusive development.

According to the World Bank,[3] the act of making strategic investments in infrastructure projects such as roads, energy, and water supply, can enhance connectivity and create an enabling environment for economic activities, underscores the important role projects play in reshaping the foundational elements of the progress of a country like Nigeria. Improved infrastructure not only facilitates trade and attracts investments, it also enhances the overall quality of life for the populace.

Historically, Nigeria's approach to financing social projects is traceable to the colonial period, when social services were mainly funded through missionary efforts and minimal state intervention.[4] During the post-independence era (1960s–1970s), the Nigerian government, buoyed by oil revenues, embarked on numerous development plans, such as the First and Second National Development Plans (1962–1974), which included public investment in health, education, and rural infrastructure.[5]

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[1] A Ukelyma, 'The Importance of Project in Underdeveloped Countries' (2024) 16(1) *Journal of African Studies and Development* 10–24 <https://academicjournals.org/journal/JASD/article-full-text-pdf/59601C071804> accessed 27 October 2025.

[2] John- Paul Crofton-Biwer, 'What is a Social Project? How to Fight Wickedness in the World' (LinkedIn, February 2023) <https://www.linkedin.com/pulse/what-social-project-how-fight-wickedness-world-crofton-biwer/> accessed 27 October 2025.

[3] World Bank, Infrastructure for Development*: A Global Perspective* (World Bank Publications 2021) <https://www.worldbank.org/en/topic/infrastructure> accessed 27 October 2025.

[4] A Irele, 'The Evolution of Social Welfare and Social Work in Nigeria' (2011) 8(3) *A Journal of Contemporary Research* 238-252 <>https://www.ajol.info/index.php/lwati/article/view/79506/69794 accessed 27 October 2025.

[5] Central Bank of Nigeria, *The Changing Structure of the Nigerian Economy: Second Edition* (2011)

These plans were largely state-led and top-down, with minimal community participation or private sector involvement.

However, from the 1980s, under the pressure of Structural Adjustment Programme (SAP) [6] imposed by international financial institutions, Nigeria began to scale back its public spending on social services. This withdrawal created a vacuum that was only partly filled by international donor agencies and Non-Governmental Organizations. It marked the beginning of Nigeria's increasing dependence on external aid to finance social development initiatives. The SAP period also introduced neo-liberal policies that promoted privatization and reduced the government's role in direct social service provision.

The 2000s and early 2010s witnessed a global shift toward innovative financing mechanisms, with countries exploring new tools such as Public-Private Partnerships (PPPs), social impact bonds, and impact investing. Countries have developed robust legal and institutional frameworks to promote domestic financing for social projects. India,[7] for example, mandates qualifying firms to allocate 2% of their net profits to Corporate Social Responsibility projects, thereby legally integrating social responsibility into the corporate agenda. Similarly, South Africa,[8] ensures legal accountability in the allocation and disbursement of funds toward social development, particularly at provincial and municipal levels.

However, in Nigeria, despite the efforts to develop relative frameworks like what is obtainable on a global scale, the lack of sustainable funding models and legal reforms continues to limit long-term impact. Many social initiatives are implemented on *adhoc* basis, often tied to political cycles rather than institutionalized through law or policy.

Legal and institutional frameworks are pivotal to enabling these innovations. Regulatory clarity, effective institutions, and an enabling policy environment can incentivize private capital flow, promote

<https://www.cbn.gov.ng/out/2011/pressrelease/gvd/the%20changing%20structure%20of%20the%20nigerian%20economy%20second%20edition.pdf> accessed 27 October 2025.

[6] Central Bank of Nigeria, 'The Structural Adjustment Programme: The Journey So Far' (2023) 60(4) *Economic and Financial Review* https://dc.cbn.gov.ng/cgi/viewcontent.cgi?article=1828&context=efr accessed 27 October 2025.

[7] India's Companies Act 2013.

[8] South Africa's Public Finance Management Act (PFMA).

accountability, and reduce the risk of project failure. In Nigeria, however, these frameworks are often fragmented, outdated, or under-enforced, stifling the development and scalability of innovative financing models. Nigeria's financing of social projects remains volatile, donor-dependent, and legally unstructured, preventing scale and sustainability.

Despite the reported fact that Nigeria has the largest financial system and Gross Domestic Product (GDP) in Sub-Saharan Africa, the country remains heavily reliant on external debt to fund critical social and infrastructure projects. In recent years, Nigeria's borrowing from multilateral institutions such as the World Bank,[9] African Development Bank and Paris Club to mention a few, have intensified, raising concerns about debt sustainability and long-term economic sovereignty.

The debt overhang limits fiscal flexibility, crowds out essential domestic investments, and underscores the urgent need for sustainable alternatives. Moreover, many of these foreign-funded projects lack the legal accountability and continuity required for measurable impact. Without robust domestic financing strategies underpinned by strong legal and institutional frameworks, Nigeria risks perpetuating a cycle of donor-dependence, policy inconsistency, and short-lived development interventions.

2. Concept and Nature of Social Projects

Social projects refer to organised efforts or initiatives aimed at promoting the welfare of communities, particularly in areas where markets fail to provide essential services or infrastructure. These projects are typically undertaken to address social inequalities and promote inclusive development. In the Nigerian context, social projects often target key sectors such as healthcare, education, water and sanitation, rural electrification, affordable housing, and youth employment. They may take the form of government-funded interventions, non-profit initiatives, or donor-supported programmes, and are typically designed to deliver public goods or essential services with long-term social impact.

The defining feature of social projects is their non-commercial orientation; their value lies not in profit generation, but in the social return on investment, namely, the improvement of quality of life and reduction in

[9] World Bank, 'Nigeria Overview' (The World Bank Group, 2025) <https://www.worldbank.org/en/country/nigeria/overview> accessed 27 October 2025.

multidimensional poverty. This distinguishes them from conventional economic projects, as they prioritise equity and access over revenue. In Sub-Saharan Africa, particularly Nigeria, where a vast majority of the populace live below the poverty line, social projects have become central to national development strategies.[10]

The United Nations Sustainable Development Goals (SDGs) have strongly influenced how social projects are conceptualised and evaluated.[11] Social interventions in Nigeria are increasingly designed with reference to specific SDGs, such as SDG 3 (Good Health and Well-being), SDG 4 (Quality Education), and SDG 6 (Clean Water and Sanitation).[12] These goals provide a globally recognised framework for structuring interventions and measuring outcomes. As such, social projects are not only localised responses to community needs, but also vehicles for meeting international development targets.

Social projects are often multi-stakeholder in nature, involving collaboration between government bodies, civil society, private sector entities, and international development partners. This underscores the complex and interdependent character of social project execution, especially in contexts where institutional capacity or funding gaps hinder state-led development. In recent years, community-based organisations and local NGOs have played an increasingly vital role in both designing and implementing context-specific social interventions, supported by actors such as the World Bank, United Nations Children's Fund, and the African Development Bank. In essence, social projects are a response to socio-economic challenges that require coordinated, inclusive, and impact-oriented solutions. Their structure may vary depending on the implementing institution, the funding mechanism, and the scope of intended outcomes, but they all share a commitment to addressing human needs and fostering social justice.

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[10] National Bureau of Statistics (NBS), *Poverty and Inequality in Nigeria: Executive Summary* (NBS 2020) <https://nigerianstat.gov.ng/elibrary?queries[search]=poverty%20and%20inequality> accessed 27 October 2025.

[11] ibid.

[12] United Nations Development Programme (UNDP), *The SDGs in Action: Nigeria Country Report 2022* <https://www.ng.undp.org> accessed 27 October 2025.

3. Concept of Financing and Financing Mechanism

Financing refers to the provision, allocation, and management of funds to support specific activities, investments, or projects. In the context of social development, financing is the lifeblood of social projects, as it ensures the sustainability, scalability, and effective delivery of programmes designed to promote public welfare.[13] The financing of social projects is particularly critical in developing countries like Nigeria, where structural inequality, budgetary constraints, and infrastructural deficits demand innovative and diversified funding approaches. Unlike commercial ventures, social projects do not necessarily offer direct financial returns, thus requiring mechanisms that balance public good with financial viability.

The concept of financing encompasses both capital mobilisation and the deployment of resources. It includes a broad range of sources, public, private, bilateral, multilateral, and philanthropic, as well as instruments such as grants, loans, guarantees, equity, and bonds.[14] In practice, financing mechanisms determine the mode through which these funds are accessed, disbursed, and monitored. Mechanisms such as direct government funding, donor grants, Public-Private Partnerships (PPPs), and more recently, impact investing and social bonds, are increasingly being used to support social interventions across Nigeria.

In the Nigerian development finance landscape, conventional financing mechanisms have historically been dominated by annual budgetary allocations and development assistance. However, these sources are often inadequate, delayed, or mismanaged due to bureaucratic inefficiencies and weak accountability structures. This has led to the emergence of innovative financing mechanisms, such as blended finance, results-based financing, and crowdfunding platforms, which seek to attract private capital and enhance resource efficiency while maintaining a focus on developmental outcomes.[15]

A particularly notable mechanism in recent years is impact investing, which involves investments made with the intention to generate

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[13] J Stiglitz and J Rosengard, *Economics of the Public Sector* (4th edn, WW Norton & Company 2015) 109.

[14] African Development Bank, *Innovative Approaches to Financing Africa's Development* (AfDB 2017) 7 <https://www.afdb.org> accessed 27 October 2025.

[15] OECD, *Blended Finance Principles for Unlocking Commercial Finance for the Sustainable Development Goals* (OECD 2018) 6 <https://www.oecd.org/dac/financing-sustainable-development/blended-finance-principles/> accessed 27 October 2025.

measurable social and environmental impact alongside financial return. This model aligns social objectives with investor interests, thereby mobilising capital for health, education, affordable housing, and climate-focused projects.[16] Similarly, social impact bonds, a form of pay-for-success contract between the public sector and private investors, are being explored in Nigeria's development financing ecosystem, though they remain at the pilot or conceptual stage.

4. Understanding Innovation in the Financing of Social Projects

Innovation in the financing of social projects refers to the creation and application of novel strategies, instruments, and structures designed to mobilise and optimise financial resources for social impact. Unlike conventional models that rely heavily on government budgetary allocations or donor funding, innovative financing mechanisms seek to diversify funding streams, improve efficiency, attract private capital, and ensure measurable social outcomes.[17] This approach has become increasingly critical in the Nigerian context, where fiscal constraints and governance challenges have limited the effectiveness of traditional financing routes.

At the heart of innovative financing lies the convergence of financial engineering, technological tools, and developmental impact models. It includes approaches such as blended finance, social impact investing, crowdfunding, green bonds, and development impact bonds, all of which introduce performance metrics, risk-sharing models, and stakeholder alignment to the financing process.[18] These models create opportunities to bridge financing gaps by leveraging commercial capital for socially beneficial initiatives, particularly in sectors like education, healthcare, water access, and climate adaptation.[19]

5. Existing Sources of Financing for Social Projects in Nigeria

Financing social projects in Nigeria has historically relied on an admixture of public and private sources. The main sources which include

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[16] Global Impact Investing Network (GIIN), *Annual Impact Investor Survey 2023* https://thegiin.org accessed 22 July 2025.

[17] United Nations, *Innovative Financing for Development: Scalable Business Models that Produce Results* (UNDP 2012) <https://www.undp.org> accessed 27 October 2025.

[18] OECD, *Social Impact Investment 2020: The Impact Imperative for Sustainable Development* (OECD Publishing 2020) 31.

[19] ibid.

government allocations, foreign aid and funding from NGOs are as hereunder considered *viz:*

i. Government Funding

Government funding remains the primary source of financing for many social projects,[20] especially in areas like education, healthcare, and infrastructure. Such funding is typically derived from annual budgetary allocations at the federal, state, and local levels. Through ministries, departments, and agencies (MDAs), the government channels resources into capital and recurrent expenditures aligned with the National Development Plan or other policy instruments.

Institutions such as the Federal Ministry of Finance, Budget and National Planning oversee the preparation and execution of these budgets, while specialized agencies like the Tertiary Education Trust Fund (TETFund), created under the Tertiary Education Trust Fund Act, utilize a 2% education tax on the profits of Nigerian companies to finance educational infrastructure and services across tertiary institutions.[21]

In the health sector, government intervention is channelled through mechanisms like the Basic Health Care Provision Fund (BHCPF), established under section 11 of the National Health Act 2014, which seeks to ensure access to primary healthcare services, especially in underserved communities.[22] Other significant agencies include the Universal Basic Education Commission (UBEC), which implements the Compulsory, Free Universal Basic Education Act 2004[23] and provides funding to support universal access to basic education.

ii. Foreign Aid

Foreign aid represents a significant supplementary source of financing for social projects in Nigeria, particularly in sectors such as

[20] Investopedia, How a Government Grant Works and How to Apply <https://www.investopedia.com/terms/g/government-grant.asp> accessed 27 October 2025.

[21] Tertiary Education Trust Fund Act, Cap T3 LFN 2011.
[22] National Health Act 2014, s 11.
[23] Free Universal Basic Education Act 2004. Z004 ACT No. A 115.

health, education, agriculture, and humanitarian relief. [24]It consists of grants, concessional loans, and technical assistance provided by foreign governments, bilateral donor agencies, and multilateral institutions. Notable contributors include the United States Agency for International Development (USAID), the United Kingdom's Foreign, Commonwealth & Development Office (FCDO), the European Union (EU), and global institutions like the World Bank and the African Development Bank (AfDB). These actors often fund large-scale programmes aimed at poverty reduction, sustainable development, and institutional strengthening.

Foreign aid in Nigeria is generally governed by international cooperation agreements and Memoranda of Understanding (MoUs) signed between the Nigerian government and donor partners. At the national level, the Federal Ministry of Finance, Budget and National Planning plays a coordinating role, while line ministries and implementing agencies are responsible for project execution. The Nigerian Foreign Aid Policy (though still evolving) seeks to streamline aid flows and align donor interventions with national development priorities as captured in frameworks like the National Development Plan (2021–2025).[25]

Moreover, aid delivery increasingly adheres to global standards of effectiveness, as encapsulated in the Paris Declaration on Aid Effectiveness 2005 and the Accra Agenda for Action 2008, which emphasize national ownership, alignment with domestic strategies, and mutual accountability.[26]

iii. Non-Governmental Organizations (NGOs)

Non-Governmental Organizations (NGOs) constitute a vital channel for the financing and implementation of social projects in Nigeria.[27] These

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[24] Taylor & Francis Online, Impact of Foreign Aid on the Nigerian Economy <https://www.tandfonline.com/doi/full/10.1080/23311886.2024.2316585> accessed 27 October 2025.

[25] National Development Plan 2021–2025 (Federal Government of Nigeria, December 2021).

[26] OECD, *Paris Declaration on Aid Effectiveness and the Accra Agenda for Action* (2008) <https://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm> accessed 27 October 2025.

[27] Robert Eze, 'The Role of Non-Governmental Organizations in the Development of Nigeria' (2023) 3(2) *Journal of Social Theory and Research* https://publications.jostar.org.ng/role-non-governmental-organizations-development-nigeria accessed 27 October 2025.

organizations, both international and local, mobilize financial and technical resources to address social issues such as poverty alleviation, education, healthcare delivery, environmental sustainability, gender equality, and access to clean water. NGOs often fill governance and service delivery gaps, especially in rural or underserved communities where public sector reach is limited. International NGOs such as ActionAid, Oxfam, and *Médecins Sans Frontières* (Doctors without Borders), as well as domestic NGOs like the Civil Society Legislative Advocacy Centre (CISLAC) and the African Centre for Leadership, Strategy and Development, have contributed substantially to social innovation in Nigeria through community-driven projects.

These organizations rely on a variety of funding sources, including foreign aid, philanthropic donations, private foundations, and increasingly, results-based financing models such as social impact bonds. NGOs frequently operate through grants from institutions like the Ford Foundation, the Bill & Melinda Gates Foundation, and the Open Society Initiative for West Africa (OSIWA), which are known for supporting advocacy, service delivery, and policy reform initiatives. Moreover, NGOs often work in partnership with development finance institutions (DFIs), governments, and private actors to scale impact.

6. Theoretical Perspectives of Financing of Social Projects in Nigeria

The financing of social projects in Nigeria can be better understood through the lens of relevant theoretical frameworks that explain the motivations, mechanisms, and outcomes of public and private investments in socially driven initiatives. These theories provide a foundation for analyzing how various actors, governments, donors, private investors, and development institutions, approach the funding of projects aimed at social welfare and public good.

i. Public Goods Theory

Public Goods Theory[28] is rooted in classical economic thought and asserts that certain goods and services, such as education, healthcare, public sanitation, and basic infrastructure, are non-excludable and non-rivalrous, meaning individuals cannot be excluded from their use, and one

[28] Julian Reiss, 'Public Goods' (Stanford Encyclopedia of Philosophy, 21 July 2021) <https://plato.stanford.edu/entries/public-goods/> accessed 27 October 2025.

person's use does not diminish availability to others.[29] In this regard, public goods tend to be underprovided in a free-market system due to the 'free rider' problem, thereby necessitating public or collective intervention through government or donor-funded social projects.

This theory supports the argument that financing social projects in Nigeria is a legitimate function of government and a societal imperative. For instance, the National Health Insurance Act 2022, which aims to provide universal healthcare coverage in Nigeria, is consistent with public goods logic, as healthcare access benefits society as a whole. Furthermore, donor agencies and multilateral development banks often channel resources into Nigeria's public sectors because they recognise these as domains where market forces alone are insufficient to meet social needs.[30]

ii. Innovation Diffusion Theory

Innovation Diffusion Theory provides a valuable framework for understanding how new ideas, practices, and technologies are adopted within a social system over time.[31] This theory becomes especially relevant in the financing of social projects when considering novel mechanisms such as social impact bonds, crowdfunding platforms, ESG-aligned investments, and blended finance. In Nigeria, the adoption of such innovative financing approaches has been slow but gradually increasing. The Central Bank of Nigeria (CBN)'s regulatory sandbox and fintech initiatives have encouraged experimentation with digital financial inclusion models that align with this theory. By understanding the categories of adopters, innovators, early adopters, early majority, late majority, and laggards, policy designers can tailor strategies to promote wider acceptance of innovative financing mechanisms.[32]

iii. Social Return on Investment Theory

The Social Return on Investment framework emphasises measuring the social, environmental, and economic value created by social

[29] R Musgrave, *The Theory of Public Finance: A Study in Public Economy* (McGraw-Hill 1959).

[30] World Bank, *Nigeria Public Finance Review: Fiscal Adjustment for Better and Sustained Results* (2022) https://documents.worldbank.org accessed 27 October 2025.

[31] E Rogers, *Diffusion of Innovations* (5th edn, Free Press 2003).

[32] Y Adegoke and others, 'Fintech and the Future of Financial Inclusion in Nigeria' (2023) *African Development Review* 35(2) 89.

interventions, going beyond traditional financial metrics[33]. It aligns with the growing demand for transparency, accountability, and performance-based financing in development projects. SROI methodologies involve stakeholder engagement, impact valuation, and financial proxies to assess whether the value generated justifies the resources invested.

This theory is increasingly relevant in Nigeria's development space, particularly with the rise of social enterprises, impact investing, and ESG-financed projects. Institutions like the Bank of Industry (BOI) and Nigeria Sovereign Investment Authority (NSIA) have begun adopting impact measurement indicators to evaluate developmental outcomes. Additionally, frameworks like the UN Sustainable Development Goals (SDGs) have reinforced the importance of aligning financing strategies with measurable social impact, making SROI a central consideration in public-private partnerships and donor-funded programmes.

7. Emerging Concepts in Support of Social Projects in Nigeria

Emerging concepts like social entrepreneurship and social impact hubs are now shaping how social projects are initiated, structured, and sustained. These concepts provide innovative, scalable, and community-rooted alternatives to traditional donor or state-led interventions, especially in health, education, gender inclusion, and financial access. They are as looked into thus:

i. Social Entrepreneurship

Social entrepreneurship can be understood as the application of innovative, entrepreneurial strategies to identify and implement sustainable solutions to pressing social challenges.[34] Unlike traditional entrepreneurship, which primarily focuses on profit maximization, social entrepreneurship prioritizes social impact as its core objective, while still maintaining financial viability. It involves the creation, organization, and management of ventures that aim to address issues such as poverty,

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33 J Nicholls and others, *A Guide to Social Return on Investment* (Cabinet Office, UK 2012).

34 R Raman and others, 'Social Entrepreneurship and Sustainable Technologies: Impact on Communities, Social Innovation, and Inclusive Development' (2025) 4 *Sustainable Technology and Entrepreneurship* 100110 <https://www.sciencedirect.com/science/article/pii/S277303282500015X#:~:text=SE%20involves%20applying%20entrepreneurial%20practices,et%20al.%2C%202023)>accessed 27 October 2025.

inequality, education, healthcare, and environmental sustainability. Social entrepreneurs are driven by a mission to effect systemic change, often working in sectors or communities underserved by the market or government. Their initiatives combine the resourcefulness of traditional business practices with a deep commitment to social value creation, leveraging innovation and partnerships to scale their impact in meaningful and lasting ways.[35]

ii. Social Impact Hubs

Social impact hubs refer to innovation-driven incubators or collaborative platforms that support early-stage social enterprises and mission-oriented organisations. These hubs provide a suite of services designed to accelerate the development of social ventures, including access to capital, mentorship, legal and policy advisory, co-working spaces, and structured capacity-building programmes. Their primary function is to foster a nurturing ecosystem where social innovation can thrive through shared infrastructure and collaborative networks.[36]

Functioning as both incubators of ideas and accelerators of social transformation, impact hubs serve as convergence points for entrepreneurs, investors, development practitioners, policymakers, and grassroots communities. They facilitate co-creation processes, piloting of community-based interventions, and resource mobilisation for scalable solutions to pressing socio-economic challenges.[37]

Their role in ecosystem development is particularly significant in emerging economies, where institutional support for innovation is still nascent. By lowering barriers to entry for youth-led enterprises and socially conscious start-ups, these hubs help mitigate early-stage risks. Additionally, many are supported by multilateral organisations and philanthropic institutions, allowing them to act as decentralised nodes of

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[35] Gregory Dees, 'The Meaning of Social Entrepreneurship' (2001) Centre for the Advancement of Social Entrepreneurship <https://centers.fuqua.duke.edu/case/wp-content/uploads/sites/7/2015/03/Case_Dees_MeaningofSocialEntrepreneurship_2001.pdf> accessed 27 October 2025.

[36] Jenny Hodgson and Barry Knight, *The Role of Philanthropy in Strengthening Social Innovation* (Global Fund for Community Foundations 2016) <https://www.globalfundcommunityfoundations.org> accessed 27 October 2025.

[37] OECD, *Social Impact Investment 2019: The Impact Imperative for Sustainable Development* (OECD Publishing 2019) <https://doi.org/10.1787/9789264311299-en> accessed 27 October 2025.

development excellence. They contribute directly to the advancement of civic technology, digital inclusion, and community resilience, feeding into broader national and international development frameworks.[38]

8. Legal Framework for Financing of Social Projects in Nigeria

The financing of social projects in Nigeria operates within an established but evolving legal framework that defines the parameters for state obligation, fiscal responsibility, public-private engagement, and social investment governance, and are as examined thus:

i. Constitution of the Federal Republic of Nigeria, 1999 (as amended)

The Constitution of the Federal Republic of Nigeria, 1999 (as amended)[39] forms the bedrock of all laws in Nigeria, and provides the foundational basis for public finance, social development, and economic intervention in the country. It establishes, under Chapter II, the Fundamental Objectives and Directive Principles of State Policy,[40] which articulate the government's responsibility to promote the welfare and prosperity of its citizens. Specifically, Section 16(1)(b)[41] mandates the state to "control the national economy in such manner as to secure the maximum welfare, freedom, and happiness of every citizen..." and Section 16(2)(d)[42] urges the state to provide suitable and adequate shelter, suitable and adequate food, a reasonable national minimum living wage, old age care and pensions, unemployment and sick benefits, and welfare for persons with disabilities.

While these provisions are non-justiciable (i.e., not enforceable in court) as *per* Section 6(6)(c),[43] they nonetheless serve as normative guideposts for policy direction and legislative interventions. This includes the development of legal and institutional frameworks for financing social projects such as housing, education, healthcare, and youth empowerment. Therefore, though the Constitution does not explicitly regulate

[38] Anna Davies and Julie Simon, *Innovation for Social Impact: How Social Innovation Hubs Build Ecosystems for Social Change* (Nesta 2020) <https://www.nesta.org.uk/report/innovation-social-impact/> accessed 27 October 2025.

[39] Constitution of the Federal Republic of Nigeria, 1999 (as amended).

[40] ibid, Chapter II, the Fundamental Objectives and Directive Principles of State Policy.

[41] ibid S.16(1)(b).

[42] ibid 16(2)(d).

[43] ibid S. 6(6)(c).

mechanisms for financing social projects, it legitimizes government-led and facilitated efforts towards such outcomes, laying a legal and moral foundation for laws and policies that drive social innovation and impact financing.

In addition, Section 162–168 of the Constitution[44] provides for revenue allocation, which is critical in understanding how resources may be directed toward social projects at the federal, state, and local government levels. Through these provisions, the Constitution facilitates the financial flows necessary for the implementation of socially impactful programmes and projects in Nigeria.

ii. Banks and Other Financial Institutions Act (BOFIA), 2020

The Banks and Other Financial Institutions Act, 2020 (BOFIA 2020)[45] is a key legislation that governs the operation, supervision, and regulation of banks and non-bank financial institutions in Nigeria. It repealed the earlier BOFIA 1991 and introduced critical updates to align Nigeria's financial regulatory regime with global standards, particularly around digital finance, consumer protection, and systemic risk oversight.

The Act, plays a significant role in the financing of social projects by ensuring that Nigeria's financial institutions operate within a sound legal environment that encourages innovation, accountability, and financial inclusion. For example, the Act empowers the Central Bank of Nigeria (CBN) to license and regulate various categories of financial service providers, including microfinance banks, fintechs, and development finance institutions. This regulatory control has a direct bearing on how financial institutions mobilize and allocate capital, including socially-driven investments such as low-interest loans for affordable housing, education, health, or sustainable agriculture.

Section 2 of the Act[46] mandates that no entity shall carry on banking business without a licence from the CBN, ensuring that only vetted and capable institutions are entrusted with deposit-taking and credit functions. This legal framework establishes the credibility of intermediaries that might be engaged in delivering social finance instruments like impact investing, green bonds, and social loans.

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[44] ibid Section 162–168.

[45] Banks and Other Financial Institutions Act 2020 (Nigeria) Cap B3, Laws of the Federation of Nigeria 2020.

[46] ibid Section 2.

Moreover, BOFIA 2020 introduces provisions to encourage innovation in financial products and services, particularly through regulatory sandboxes (though not explicitly termed in the Act, it aligns with CBN innovation support). This provides a legal foundation for testing new models of financing social impact, such as digital micro-lending platforms targeted at women-led small businesses or social enterprises.

The Act also imposes prudential requirements and consumer protection obligations on financial institutions,[47] helping to foster trust in financial services and protect low-income or vulnerable groups who are often the target of social investment schemes. This is crucial for ensuring that the financing of social projects does not become predatory or exclusionary. In effect, while BOFIA 2020 is not tailored exclusively for social finance, it serves as a foundational legal infrastructure upon which Nigeria's financial sector can safely innovate and expand access to capital for socially beneficial projects.

iii. Public Procurement Act (PPA), 2007

The Public Procurement Act 2007 (PPA)[48] is a fundamental legal instrument governing the process through which public funds are expended for goods, works, and services in Nigeria. Enacted to ensure transparency, accountability, and value for money in public procurement, the Act is vital to the financing of social projects, especially those executed through government contracts or public-private partnerships (PPPs). The law establishes the Bureau of Public Procurement (BPP) as the regulatory authority responsible for monitoring and oversight of procurement practices by Ministries, Departments, and Agencies (MDAs) of the federal government.

One of the key implications of the PPA 2007 for the financing of social projects lies in its promotion of competition and efficiency. Social projects, particularly in education, healthcare, water, sanitation, and other public infrastructure sectors, are often financed or co-financed by public funds. The Act mandates competitive bidding procedures, which helps reduce cost and increase quality outcomes, thereby maximising the social return on public investment. For example, the Act[49] outlines the

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[47] ibid Sections 47–50.

[48] Public Procurement Act 2007 (Nigeria) Cap P44, Laws of the Federation of Nigeria 2007.

[49] ibid Section 16.

fundamental principles for procurement including value for money, competition, efficiency, and accountability, all of which are essential in achieving sustainable and innovative social outcomes.

Moreover, the Act indirectly influences innovation in the financing of social projects by making provision for special and emergency procurement procedures. These mechanisms can be leveraged to accelerate delivery of social interventions in urgent or underserved contexts, such as disaster response or remote healthcare delivery. Through the legal certainty provided by the Act, investors and development partners, such as DFIs and donor agencies, are also more inclined to co-finance projects due to reduced risk of procurement-related corruption or maladministration.

Additionally, the Act promotes transparency and citizen engagement through the mandatory disclosure of procurement plans, contract awards, and project monitoring. This transparency is especially important in social project financing where public accountability is crucial. As a result, the legal framework helps foster a climate of trust among stakeholders, including the government, private investors, civil society organisations, and the general public.

iv. Infrastructure Concession Regulatory Commission (ICRC) Act, 2005

The Infrastructure Concession Regulatory Commission (ICRC) Act 2005[50] is a landmark legislation that establishes the legal framework for public-private partnerships (PPPs) in Nigeria. It was enacted to harness private sector expertise and financing to support infrastructure development, including projects with strong social impact. Given the chronic infrastructure deficits in sectors such as education, health, water supply, and rural electrification, the ICRC Act provides a structured avenue for leveraging private capital in delivering social services traditionally handled by government.

The Act establishes the Infrastructure Concession Regulatory Commission (ICRC) to regulate, monitor, and supervise the implementation of infrastructure projects through concession agreements or other forms of PPPs. According to section 1 of the Act,[51] its objective is

[50] Infrastructure Concession Regulatory Commission Act 2005 (Nigeria), Cap I25, Laws of the Federation of Nigeria 2007.
[51] ibid Section 1.

to 'establish a legal framework for the participation of the private sector in financing, construction, development, operation, or maintenance of infrastructure or development projects.' This includes both hard infrastructure (like roads and schools) and soft infrastructure (such as ICT platforms for public service delivery).

One of the significant contributions of the ICRC Act to the financing of social projects is its provision for Viability Gap Funding (VGF)[52] and project bankability frameworks. In many cases, social projects, especially those in underserved or low-income regions, may not be commercially viable without government support. The Act encourages collaboration that blends public support with private financing, making social infrastructure projects more attractive to investors while ensuring they remain affordable for citizens.

Furthermore, the ICRC, pursuant to its powers under the Act, has developed National PPP Guidelines, PPP contract templates, and sector-specific toolkits, all of which provide clarity and confidence for private investors interested in social-impact ventures. These guidelines ensure that projects adhere to key principles of value for money, transparency, accountability, and sustainability, all of which are essential in the development and financing of social infrastructure. Importantly, the ICRC Act allows Ministries, Departments, and Agencies (MDAs) to enter into concession agreements with private sector actors, subject to regulatory oversight.

This has led to the emergence of several social PPPs, including healthcare diagnostic centres, school hostel construction, and solar mini-grids for rural electrification, among others. The ICRC's role in project screening, risk assessment, and regulatory monitoring ensures that social projects financed through PPPs not only meet development goals but also remain financially and legally sustainable. This institutional framework is especially critical in protecting public interest while also creating a stable investment climate for social project development.

[52] H Möykkynen and A Pantelias, 'Viability Gap Funding for Promoting Private Infrastructure Investment in Africa: Views from Stakeholders' (2021) 24 *Journal of Economic Policy Reform* 253 accessed 27 October 2025.

v. Central Bank of Nigeria Guidelines

The Central Bank of Nigeria (CBN) plays a pivotal regulatory and policy-shaping role in the financing of social projects through various development finance guidelines, intervention funds, and regulatory instruments.[53] Although the CBN is primarily mandated to maintain monetary and price stability and supervise banks and financial institutions, it also actively drives financial inclusion, development financing, and economic empowerment, core elements in the ecosystem for financing social projects in Nigeria.[54]

A key aspect of the CBN's contribution is the issuance of development finance guidelines and frameworks, such as the Guidelines for the Establishment and Regulation of Payment Service Banks (PSBs), the Anchor Borrowers' Programme, and more notably, the Framework for Non-Interest Financial Institutions, which provide opportunities for ethical finance mechanisms such as sukuk that can be used to fund social projects in health, education, and microenterprise support. Through such guidelines, the CBN enables both traditional and non-traditional financing models to co-exist and operate legally in Nigeria's financial landscape.

Additionally, the Guidelines for the Regulation and Supervision of Microfinance Banks (MFBs)[55] empower small-scale financial institutions to provide access to credit for underserved communities. Microfinance has long been recognized as a tool for poverty reduction and social development, and the CBN's regulation ensures stability, transparency, and consumer protection in this critical sector. By regulating microfinance operations, the CBN creates a safer ecosystem for smallholder social entrepreneurs and cooperatives to secure loans for projects in agriculture, education, and health. The CBN also administers various intervention

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[53] Central Bank of Nigeria, *Development Finance Activities of the Central Bank of Nigeria* (2020) <https://www.cbn.gov.ng/Out/2020/DFD/CBN%20Development%20Finance%20Activities%202020.pdf> accessed 27 October 2025.

[54] Central Bank of Nigeria, *National Financial Inclusion Strategy (Revised)* (2018) <https://www.cbn.gov.ng/Out/2018/CCD/NFIS.pdf> accessed 27 October 2025.

[55] Central Bank of Nigeria, 'Guidelines for the Regulation and Supervision of Microfinance Banks in Nigeria (Revised)' (2020) <https://www.cbn.gov.ng/Out/2020/FPRD/CBN%20Revised%20MFBs%20Regulatory%20and%20Supervisory%20Guidelines.pdf> accessed 27 October 2025.

funds and credit schemes tailored toward social development outcomes. These include:

i. The CBN Healthcare Sector Research and Development Intervention Scheme (HSRDIS),[56]
ii. The NIRSAL Microfinance Bank's Targeted Credit Facility (TCF),[57]
iii. The Creative Industry Financing Initiative (CIFI)[58], and
iv. The Agribusiness/Small and Medium Enterprise Investment Scheme (AGSMEIS)[59].

Each of these guidelines and schemes is backed by operational frameworks that provide for eligibility, loan structure, monitoring, and performance indicators. These tools ensure the accountability and sustainability of social impact financing from the financial system. The CBN, in this role, functions as both regulator and enabler of innovation in financing models geared towards societal development. Moreover, through its Financial Inclusion Strategy,[60] the CBN fosters the digital and physical infrastructure that facilitates social project financing by expanding access to affordable banking, credit, and savings services across rural and low-income populations.

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[56] Central Bank of Nigeria, *Guidelines for the Implementation of the Healthcare Sector Research and Development Intervention Scheme (HSRDIS)* (CBN, 2020) <https://www.cbn.gov.ng/Out/2020/DFD/Guidelines%20on%20the%20Healthcare%20Sector%20Research%20and%20Development%20Intervention%20Scheme.pdf> accessed 27 October 2025.

[57] NIRSAL Microfinance Bank, *Targeted Credit Facility* https://nmfb.com.ng/tcf-household/ accessed 27 October 2025.

[58] Central Bank of Nigeria, *Creative Industry Financing Initiative (CIFI)* https://www.cbn.gov.ng/Out/2019/CCD/CIFI.pdf accessed 27 October 2025.

[59] Central Bank of Nigeria, *Agribusiness/Small and Medium Enterprise Investment Scheme (AGSMEIS) Guidelines* (CBN, 2021) https://www.cbn.gov.ng/Out/2021/DFD/AGSMEIS%20Guidelines%202021.pdf accessed 27 October 2025.

[60] Central Bank of Nigeria, *National Financial Inclusion Strategy (Revised)* (October 2018) http://cbn.gov.ng/out/2019/ccd/national%20financial%20inclusion%20strategy.pdf accessed 27 October 2025.

9. Institutional Framework for Social Projects in Nigeria

While Nigeria's legal framework provides the regulatory backbone for financing social projects, institutional actors serve as the operational engines driving implementation, coordination, and oversight. Several public and quasi-public institutions play critical roles in facilitating access to funding, ensuring regulatory compliance, designing social investment policies, and promoting inclusive development. Key institutional mechanisms central to Nigeria's social project financing ecosystem are as seen *viz:*

i. Federal Ministry of Finance, Budget and National Planning

The Federal Ministry of Finance, Budget and National Planning (FMFBNP) plays a foundational role in enabling the financing of social projects in Nigeria. As the core institution responsible for the coordination of national economic planning, fiscal policy, and public financial management, the Ministry oversees the formulation and execution of the annual budget and medium-term expenditure frameworks, which serve as the fiscal architecture for funding social programmes and developmental interventions.[61]

The Ministry's function intersects directly with social project financing in several ways. Firstly, through the budgetary allocation process, the Ministry ensures that social sectors such as education, healthcare, water and sanitation, and social investment programmes receive public funding aligned with national development priorities, such as those articulated in Nigeria's National Development Plan (2021–2025)[62] and the Medium-Term National Development Plan (MTNDP). These plans emphasize inclusive economic growth and human capital development, placing social infrastructure and poverty alleviation at the core of Nigeria's fiscal direction.

Secondly, the Ministry is the primary interface between the Nigerian government and multilateral and bilateral donors, including the World Bank, African Development Bank (AfDB), Islamic Development Bank

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[61] Federal Ministry of Finance, Budget and National Planning, *Overview of Functions* <https://nationalplanning.gov.ng/functions/ >accessed 27 October 2025.

[62] Federal Government of Nigeria, *National Development Plan 2021–2025* (Volume I, Federal Ministry of Finance, Budget and National Planning 2021) <https://nationalplanning.gov.ng/wp-content/uploads/2021/12/National-Development-Plan-2021-2025-Volume-I.pdf >accessed 27 October 2025.

(IsDB), and other development finance institutions (DFIs). It negotiates, signs, and manages donor-funded social interventions, loans, and grants targeted at poverty reduction, education access, maternal health, and other Sustainable Development Goals (SDG)-aligned outcomes. For instance, the World Bank-supported Nigeria Social Safety Nets Project (NASSP) is coordinated through this Ministry in collaboration with the National Social Investment Office (NSIO), which disburses conditional cash transfers and implements poverty-targeted programmes.[63]

Moreover, the Ministry plays a crucial role in fostering public-private partnerships (PPPs) and creating a stable fiscal environment that attracts private sector investment in socially beneficial infrastructure. This is complemented by its role in managing sovereign guarantees and financing instruments like green bonds, which are increasingly deployed to support climate-resilient and community-based social projects.

In its role as budget and planning authority, the Ministry also engages in monitoring and evaluation (M&E) of social expenditures to ensure transparency, effectiveness, and alignment with the national priorities, in line with international best practices. This ensures that social project funding is not only allocated but properly tracked and reported.[64]

ii. Central Bank of Nigeria (CBN)

The Central Bank of Nigeria (CBN) is a pivotal institution in shaping Nigeria's financial landscape, including the facilitation of funding mechanisms for social projects. As the apex regulatory authority for monetary policy and financial sector stability, the CBN exercises both direct and indirect influence over the design and delivery of financial instruments that can support innovation and financing in the social sector.[65]

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[63] World Bank, *Nigeria Social Safety Nets Project (NASSP)* (World Bank, 2023) <https://projects.worldbank.org/en/projects-operations/project-detail/P151488> accessed 27 October 2025.

[64] Federal Ministry of Finance, Budget and National Planning, *National Monitoring and Evaluation Policy* (2020) <https://nationalplanning.gov.ng/wp-content/uploads/2021/03/National-ME-Policy-Final-1.pdf> accessed 27 October 2025.

[65] Central Bank of Nigeria, *Revised National Financial Inclusion Strategy* (2018) <https://www.cbn.gov.ng/out/2019/ccd/national%20financial%20inclusion%20strategy.pdf >accessed 27 October 2025.

A major contribution of the CBN to social project financing is through its development finance interventions.[66] The CBN has launched several targeted funding initiatives aimed at promoting inclusive economic growth, poverty alleviation, financial inclusion, and job creation, objectives that align directly with the financing of social projects. Programmes such as the Anchor Borrowers' Programme (ABP), the Targeted Credit Facility (TCF), and the Agricultural Credit Guarantee Scheme Fund (ACGSF) are structured to provide concessional funding to vulnerable populations, youth entrepreneurs, and smallholder farmers, thereby directly enhancing livelihood outcomes and improving socio-economic welfare.[67]

In addition, the CBN plays a regulatory role in promoting the financial inclusion ecosystem. Through frameworks such as the National Financial Inclusion Strategy (Revised) 2018, the Bank seeks to close the gap in access to finance for underserved groups. Financial inclusion is a crucial enabler of social development as it provides individuals and communities with access to savings, credit, insurance, and remittance services, which in turn improves resilience and supports micro-level social enterprises.

Another core area is the CBN's support for innovation in financing, particularly through policies that encourage fintech solutions and digital payments. With the introduction of the eNaira, the CBN has signalled its commitment to leveraging technology in expanding access to financial services, a step that can democratize fundraising and social enterprise financing in the long term.[68]

The Bank also issues prudential guidelines and directives for financial institutions, including the guidelines for development finance institutions (DFIs), microfinance banks (MFBs), and non-interest financial institutions (NIFIs), which often serve as vehicles for disbursing funds to social enterprises and community development projects. These regulatory standards are instrumental in ensuring transparency, accountability, and sustainability in social project financing. The CBN supervises the operations of institutions such as the Bank of Industry (BOI) and the Development Bank of Nigeria (DBN) through its development finance

[66] CBN, 'Development Finance Interventions' https://www.cbn.gov.ng/devfin/ accessed 27 October 2025.
[67] *Central Bank of Nigeria v Jacob Oladele Amao & 2 Ors* (2010) LLJR-SC.
[68] CBN, *Regulatory Guidelines on the eNaira* (2021) <https://www.cbn.gov.ng/enaira> accessed 27 October 2025.

department, ensuring that their operations align with national financial stability and inclusive growth targets.

iii. Bank of Industry (BOI)

The Bank of Industry (BOI) plays a significant role in Nigeria's institutional framework supporting the financing of social projects. As Nigeria's oldest and largest development finance institution (DFI), the BOI was established to provide long-term financing to sectors[69] that are critical to national development. Over the years, the BOI has evolved from focusing strictly on industrial development to supporting broader socio-economic objectives, including the financing of social enterprises, youth employment schemes, renewable energy initiatives, and financial inclusion programs targeted at underserved populations.[70]

BOI's financing model is primarily centred around concessional loans and matching funds, often structured through partnerships with domestic stakeholders like the Central Bank of Nigeria, and international partners such as the African Development Bank and the UNDP. These partnerships allow the bank to provide blended finance models for social projects, particularly in sectors like education, health, housing, gender empowerment, and innovation-focused microenterprises. The BOI's Social Intervention Funds, such as the Graduate Entrepreneurship Fund (GEF), MarketMoni, and the National Women Empowerment Fund (NAWEF), have helped bridge the access-to-credit gap for underserved communities.

Importantly, the BOI also operates within the scope of Nigeria's regulatory and development policy mandates. For example, it aligns its programmes with the National Development Plan (2021–2025) and the Economic Recovery and Growth Plan (ERGP), which both identify social inclusion, infrastructure development, and innovation finance as critical pillars.[71] Through its operations, BOI contributes not only to financial intermediation but also to the innovation ecosystem by funding scalable social solutions and incubating socially responsible enterprises.[72]

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[69] Bank of Industry, *Who We Are* <https://www.boi.ng/about-us/ >accessed 27 October 2025.
[70] Bank of Industry, *Impact and Development Reports* https://www.boi.ng/development-impact/ accessed 27 October 2025.
[71] ibid.
[72] ibid.

This paper submits that from a legal standpoint, while the BOI itself is not established under a specific statute (it is incorporated under the Companies and Allied Matters Act), its operations are governed by the regulatory framework of the Central Bank of Nigeria Act, BOFIA 2020, and oversight from the Federal Ministry of Finance, Budget, and National Planning. It also adheres to anti-money laundering and due diligence compliance standards pursuant to the Money Laundering (Prohibition) Act 2022 and CBN prudential guidelines.

iv. Nigeria Sovereign Investment Authority (NSIA)

The Nigeria Sovereign Investment Authority (NSIA) plays an increasingly pivotal role in the institutional framework for financing social and developmental projects in Nigeria. Established under the Nigeria Sovereign Investment Authority (Establishment, etc.) Act[73] 2011, the NSIA was created to manage surplus income from Nigeria's oil earnings and to deploy it towards economic stabilization, infrastructure development, and long-term intergenerational savings. It is structured to operate as a sovereign wealth fund with a commercial orientation while contributing to national development objectives.

The NSIA manages its resources through three main funds:

a. The Stabilization Fund,
b. The Future Generations Fund, and
c. The Nigeria Infrastructure Fund (NIF).

Among these, the Nigeria Infrastructure Fund is particularly relevant to the financing of social projects, as it is directly dedicated to domestic infrastructure investment. Through the NIF, the NSIA channels capital into priority sectors such as healthcare, transportation, power, and agriculture, all of which are integral to Nigeria's social development. Notable examples include the NSIA-LUTH Cancer Centre in Lagos and the NSIA-Kano Diagnostic Centre, which demonstrate how the authority funds high-impact health infrastructure projects through public-private partnerships.

In alignment with global development finance trends, the NSIA is increasingly incorporating Environmental, Social, and Governance (ESG)

[73] Nigeria Sovereign Investment Authority (Establishment, etc.) Act 2011, Cap N166 LFN 2011.

principles into its investment strategy.[74] The Authority has signalled its intention to support climate-resilient infrastructure, renewable energy, and social impact initiatives by aligning with international investment standards and the Santiago Principles, a set of best practice guidelines for sovereign wealth funds.[75]

NSIA's funding model also provides leverage for attracting co-investment from Development Finance Institutions (DFIs) such as the African Development Bank (AfDB), the International Finance Corporation (IFC), and other institutional investors. These partnerships enhance the scale and scope of social infrastructure projects, de-risk investments, and support innovative financing mechanisms such as blended finance.

The NSIA also plays a role in mobilizing diaspora investments and engaging with multilateral platforms to design and finance development-oriented programmes. By operating at the nexus of public capital and private sector efficiency, the NSIA serves as a critical bridge in Nigeria's broader development finance architecture.

10. Role of International and Regional Development Financial Institutions

Development Finance Institutions play a very important role in facilitating the financing of social projects. They engage in strategic resource mobilization and act as intermediaries to help the needs of recipient countries and institutions. In this context, this paper considers the World Bank and African Development Bank.

i. The World Bank Group

The World Bank Group plays a fundamental role in supporting the financing of social and developmental projects across low- and middle-income countries, including Nigeria. Established in 1944 at the Bretton Woods Conference, the World Bank consists of five closely related institutions, two of which are most relevant for development financing: the International Bank for Reconstruction and Development (IBRD) and the

[74] Nigeria Sovereign Investment Authority, 'Environmental, Social and Governance Policy' (NSIA, 2025) <https://nsia.com.ng/sustainabiliy-reports/environmental-social-and-governance-esg-policy/ accessed> 27 October 2025.
[75] ibid.

International Development Association (IDA).[76] The IBRD primarily provides loans and financial services to middle-income countries and creditworthy low-income countries, while the IDA offers concessional financing, typically zero or low-interest loans and grants, to the poorest nations, including Nigeria.[77]

The World Bank Group employs a wide range of instruments including development policy financing, investment project financing, and programme-for-results financing. These tools are complemented by robust analytical and advisory services that help countries design, implement, and evaluate public policy and social interventions.[78] Its operations are guided by a Country Partnership Framework (CPF), which is developed in consultation with national governments and aligned with their development priorities.

Nigeria has benefited significantly from World Bank assistance, particularly in areas related to poverty reduction, education, healthcare, infrastructure development, social protection, and governance reform. The World Bank's current Country Partnership Framework for Nigeria (FY21–25) emphasizes building human capital, promoting job creation, and fostering sustainable, inclusive growth.[79] As of 2024, Nigeria ranks among the top recipients of IDA financing globally, with over $11 billion in active commitments across multiple sectors.[80] Notable World Bank-financed projects in Nigeria include the National Social Safety Nets Programme (NASSP), Nigeria Electricity Transmission Access Project (NETAP), and Nigeria Rural Access and Agricultural Marketing Project (RAAMP), all of which have social development implications.

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[76] World Bank, 'What We Do' (World Bank, 2024) <https://www.worldbank.org/en/who-we-are/what-we-do> accessed 27 October 2025.
[77] International Development Association, 'About IDA'< https://ida.worldbank.org/about> accessed 27 October 2025.
[78] World Bank, *Financing Instruments* <https://www.worldbank.org/en/projects-operations/products-and-services> accessed 27 October 2025.
[79] World Bank, *Nigeria Country Partnership Framework FY2021–2025* (2020) <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/531551607768702674/nigeria-country-partnership-framework-fy21-fy25> accessed 28 October 2025.
[80] International Development Association, *IDA21: Ending Poverty on a Livable Planet – Delivering Impact with Urgency and Ambition (IDA21 Replenishment Report, World Bank, March 17, 2025)* <https://documents1.worldbank.org/curated/en/099042525174542121/pdf/BOSIB-7a002896-02fc-42a9-b4f3-78737cf8b931.pdf> accessed 28 October 2025.

ii. The African Development Bank

The African Development Bank (AfDB) is Africa's premier regional development financial institution, established in 1964 pursuant to the Agreement Establishing the African Development Bank.[81] Nigeria is not only a founding member, she is also the largest shareholder in the institution. The AfDB's mission is to promote sustainable economic development and social progress across its regional member countries, thereby contributing to poverty reduction.

The AfDB's operations are guided by five strategic priorities, known as the High 5s: (1) Light Up and Power Africa, (2) Feed Africa, (3) Industrialise Africa, (4) Integrate Africa, and (5) Improve the Quality of Life for the People of Africa.[82] These priorities align with Nigeria's national development goals and offer a broad spectrum of intervention areas including infrastructure development, agriculture and food security, job creation, education, public health, and financial inclusion.

In Nigeria, the AfDB works through both sovereign operations, which involve lending to the government, and non-sovereign operations, which support private sector development. Financing mechanisms include concessional loans (through the African Development Fund), grants, technical assistance, and co-financing with other donors.[83] Recent AfDB-supported projects in Nigeria include the Urban Water Sector Reform Project, Nigeria Electrification Project, and the Special Agro-Industrial Processing Zones (SAPZ) initiative. The AfDBank also provides critical policy advisory services and institutional capacity-building, targeting both federal and sub-national levels of government. Together with the World Bank, the AfDB continues to be instrumental in Nigeria's pursuit of inclusive economic growth and sustainable development by catalyzing financial flows into critical sectors and enhancing the country's institutional and governance framework for delivering social goods.

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[81] Agreement Establishing the African Development Bank (1963) 510 UNTS 3.

[82] African Development Bank, 'High 5 Priorities' <https://www.afdb.org/en/the-high-5> accessed 28 October 2025.

[83] African Development Bank, 'Nigeria and the AfDB' <https://www.afdb.org/en/countries-west-africa-nigeria> accessed 28 October 2025.

11. Trends in Financing of Social Projects in Nigeria

There are key concepts in the financing landscape for social projects in Nigeria, which have evolved significantly in recent years. This paper herein sheds light specifically on ESG, Public-Private Partnerships and Technology.

i. Environmental, Social, and Governance (ESG) and the Rise of Sustainable and Responsible Investing in Social Projects

Environmental, Social, and Governance (ESG) considerations are reshaping the global financial ecosystem, creating opportunities for channelling capital toward social projects through sustainable and responsible investment (SRI) strategies.[84] Globally, ESG investing has moved from a niche concept to a mainstream investment paradigm. Institutional investors increasingly demand that environmental, social, and governance factors be integrated into investment decisions as a way of managing risk and achieving long-term returns.

ESG investing holds particular promise for financing social projects, especially through Social Bonds, Green Bonds with social co-benefits, and thematic investment funds targeting SDG-aligned outcomes. In 2017, Nigeria became the first African country to issue a sovereign green bond, which was later followed by a second issuance in 2019.[85] Though primarily focused on climate mitigation and adaptation, such instruments can be adapted to finance social projects in education, healthcare, sanitation, and rural development. Social enterprises and impact-driven SMEs, if ESG-compliant, stand a better chance of attracting capital from impact investors and development finance institutions (DFIs). However, the absence of ESG ratings agencies in Nigeria and the lack of standardized ESG benchmarks across sectors hinder the visibility of such investable opportunities.[86]

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[84] World Bank, *Environmental, Social, and Governance Investing: A Primer for Central Banks' Reserve Managers* (March 2021) <https://openknowledge.worldbank.org/server/api/core/bitstreams/42704643-0f5f-57d5-a913-1c0969890d1f/content> accessed 28 October 2025.

[85] Udo Udoma and Belo-Osagie,'Green Bonds: Helping to Drive Climate Change Mitigation and Sustainable Investments in Nigeria' (September 2023) <https://uubo.org/wp-content/uploads/2023/09/GREEN-BONDS-HELPING-TO-DRIVE-CLIMATE-CHANGE-MITIGATION-AND-SUSTAINABLE-INVESTMENTS-IN-NIGERIA.pdf >accessed 28 October 2025.

[86] T Adeleye and L Obika, 'Impact Investing and ESG Trends in Nigeria: Aligning Finance with Development' (2023) 2(3) *African Journal of Responsible Investment* 122.

ii. Public-Private Partnerships (PPPs) as a Mechanism for Financing Social Projects

Public-Private Partnerships (PPPs) represent a key institutional innovation that enables the pooling of public resources and private capital to deliver infrastructure and social services.[87] In the Nigerian context, PPPs are primarily governed by the Infrastructure Concession Regulatory Commission (Establishment, Etc.) Act 2005, which establishes the legal basis for the Federal Government to enter into concessions with private entities for the development of infrastructure and service delivery.[88]

Under PPPs, the private sector takes on significant financial, technical, and operational risk in designing, building, and operating social infrastructure, such as schools, hospitals, housing, and water systems, which are traditionally the domain of public institutions. This arrangement eases the fiscal burden on the government while accelerating project execution and fostering innovation. For instance, Nigeria's National Integrated Infrastructure Master Plan identifies PPPs as a critical mechanism for mobilising the estimated $3 trillion infrastructure financing gap over 30 years.[89]

In recent years, PPPs have been employed to finance projects with strong social impact, such as healthcare facilities, affordable housing schemes, and educational institutions. The blending of public funding with private investment ensures better accountability and efficiency in service delivery.

12. Role of Technology and Fintech in Access to Finance for Social Projects

Technology and fintech innovations are rapidly transforming access to finance for underserved populations and social entrepreneurs globally

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[87] B Sergi and others, *'Public–Private Partnerships as a Mechanism of Financing Sustainable Development' in Financing Sustainable Development (Springer 2019) 313–339* <https://www.researchgate.net/publication/334721889_Public-Private_Partnerships_as_a_Mechanism_of_Financing_Sustainable_Development> accessed 28 October 2025

[88] ibid.

[89] National Planning Commission (Nigeria), *National Integrated Infrastructure Master Plan* (January 2022) <https://www.policyvault.africa/policy/national-integrated-infrastructure-master-plan-2/> accessed 28 October 2025.

and also in Nigeria.[90] Fintech platforms have broadened the financial inclusion frontier by offering alternative financing models such as mobile money, peer-to-peer (P2P) lending, crowdfunding, and digital micro-investment tools.[91] These innovations directly contribute to financing social projects that address health, education, poverty, and rural development. Platforms like FarmCrowdy, ThriveAgric, and CrowdForce exemplify how fintech can channel retail and institutional capital into socially impactful sectors like agriculture, education, and clean energy. They allow micro-investors to participate in project financing via digital wallets and mobile applications, thus decentralising capital flows and democratizing development finance. Moreover, blockchain-based solutions and open banking protocols, supported by Central Bank of Nigeria's regulatory sandbox initiatives, are improving transparency, reducing transaction costs, and building trust in digital financial services. The CBN's 2021 Framework for Regulatory Sandbox[92] Operations is a legal instrument that further reinforces these innovations by enabling licensed entities to test emerging fintech solutions under controlled environments. While the digital transformation of finance presents vast opportunities, it also poses regulatory and infrastructural challenges. Data privacy concerns, cybersecurity risks, lack of digital literacy, and uneven internet access remain significant barriers to scaling fintech innovations for social impact.

13. Inhibitions towards Financing of Social Projects in Nigeria

Despite increasing interest in innovative financing mechanisms, Nigeria continues to face numerous barriers that hinder effective implementation in the social sector. These barriers are as examined *viz:*

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[90] United Nations, *FinTech for the UN: Integrating Financial Innovation in Development Mechanisms* (March 2023) <https://www.un.org/sites/un2.un.org/files/fintech4_14_march_2023.pdf> accessed 28 October 2025.

[91] P Maskara, E Kuvvet and G Chen, *The Role of P2P Platforms in Enhancing Financial Inclusion in the United States: An Analysis of Peer-to-Peer Lending Across the Rural–Urban Divide* (2021) 50(3) *Financial Management* 747–74. <https://www.researchgate.net/publication/348581912_The_role_of_P2P_platforms_in_enhancing_financial_inclusion_in_US_-_An_analysis_of_peer-to-peer_lending_across_the_rural-urban_divide> accessed 28 October 2025.

[92] Central Bank of Nigeria, *Framework for Regulatory Sandbox Operations* (October 2021) <https://www.cbn.gov.ng/out/2021/ccd/framework%20for%20regulatory%20sandbox%20operations.pdf> accessed 28 October 2025.

i. Institutional Barriers

Institutional weaknesses constitute one of the most significant barriers to innovative financing of social projects in Nigeria. Most institutions responsible for managing development funds and social programmes lack the technical expertise to conceptualize, structure, or manage complex financing instruments like Development Impact Bonds (DIBs), Blended Finance, or Advance Market Commitments (AMCs).

Agencies such as the Bank of Industry (BOI) and the National Social Investment Programme (NSIP) often operate in silos with limited inter-agency collaboration, resulting in inefficiencies and duplication of efforts. Moreover, institutional inertia and a resistance to change hinder the adoption of performance-based financing models, which require transparency, accountability, and rigorous monitoring systems.

There is also a chronic absence of reliable data, which is crucial for designing innovative finance mechanisms that rely on verifiable outcomes and metrics. Without strong institutional frameworks for data collection, impact measurement, and evaluation, it is difficult to track results or assure investors of returns in results-based contracts. Similarly, capacity gaps in public sector procurement and financial management reduce the ability of institutions to absorb private capital efficiently.[93]

ii. Legal Barriers

Legal and regulatory bottlenecks also present considerable challenges. Nigeria lacks a well-defined legal framework for innovative financing mechanisms such as DIBs or AMCs. Public procurement laws, such as the Public Procurement Act 2007, tend to be rigid and do not support flexible, performance-based contracting required in most innovative finance structures. For example, current legal provisions do not allow for outcome-based disbursements, limiting the scope for innovation in public-private collaborations.[94]

Another barrier is the limited legal recognition of hybrid models like social enterprises. Nigerian corporate law does not recognize social enterprises as a distinct legal entity, making it difficult for them to access

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[93] O Olayinka, 'Institutional Challenges in Nigeria's Development Agenda' (2022) 4(2) *Nigerian Journal of Development Policy* 46.

[94] J Adegbite, 'Legal Environment for Impact Investing in Nigeria' (2023) 2(1) *African Law and Finance Review* 83.

finance tailored to their dual profit and impact missions. Additionally, contract enforcement remains slow and unpredictable, discouraging private investors from committing to long-term or outcome-contingent financing arrangements. The lack of tax incentives or legislative backing for impact investments further exacerbates the problem.

Although reforms such as the Banks and Other Financial Institutions Act, 2020 (BOFIA 2020) and the Finance Act 2023 have introduced some improvements in the financial landscape, they remain silent on specific instruments for social finance or on how capital markets can be used for social development.

iii. Cultural/Religious Barriers

Cultural perceptions and attitudes also play a critical role in shaping the ecosystem for innovative financing. In many Nigerian communities, particularly in rural areas, there exists deep-rooted distrust towards formal financial institutions and government-led interventions. This skepticism stems from historical experiences of failed development programmes and mismanagement of public funds. Such perceptions reduce public trust and hinder participation in social projects funded through unfamiliar or complex instruments like DIBs or blended finance.

Low levels of financial literacy among both beneficiaries and local institutions further constrain the adoption of innovative finance. Many stakeholders lack a basic understanding of how instruments like social bonds or results-based finance work, resulting in misconceptions and low uptake. This is compounded by the prevalence of informal financial systems that often operate independently of the formal sector.

Additionally, socio-cultural norms, such as clientelism, nepotism, and ethnic affiliations, frequently determine who gets access to funding, irrespective of merit or project viability. In some regions, religious sensitivities towards interest-based financing further limit the acceptance of certain investment models, especially among Muslim populations in northern Nigeria. This necessitates culturally adaptive models like Sharia-compliant financing tools, which are still underutilized in Nigeria's development finance space.

iv. Political Barriers

The political environment in Nigeria presents additional challenge to the implementation of innovative financing mechanisms. Frequent changes in government priorities/policies and poor policy continuity make it difficult to plan and implement long-term social investment strategies. Development projects often become politicized, with funds allocated based on political patronage rather than developmental impact.[95] This undermines trust in public institutions and deters private investors who seek stability and accountability.[96]

In *SERAP v The Federal Government of Nigeria,*[97] the Socio-Economic Rights and Accountability Project organization, requested the government to disclose information concerning the recovered stolen public funds since Nigeria's return to democratic rule in 1999. The government, however, rejected the request on the ground that the governing Freedom of Information Act does not retroactively apply to those records that occurred prior to the enactment of that law in 2011. The Federal High Court of Nigeria found that the government's refusal was contrary to fundamental principles of transparency and accountability and in violation of Articles 9, 21, and 22 of the African Charter on Human and Peoples' Rights. In its landmark decision, the Court held that information pertaining to the government expenditure of stolen public funds since 1999 fell squarely within the country's Freedom of Information Act and therefore, the government was required to disclose and widely publish that information.

Regulatory capture, where vested interests influence regulatory agencies to favour certain entities, further hinders fair competition and innovation. Political interference in procurement processes, licensing, and programme implementation also reduces transparency, which is vital for outcome-based financing structures. Moreover, corruption remains a pervasive problem. Nigeria consistently ranks low on global corruption perception indices, with social project funds often being misappropriated. This has led to donor fatigue and reluctance from development finance institutions to commit resources without stringent conditions. Despite having several national development plans and social protection strategies that mention private sector involvement and innovation, the political will

[95] *Attorney-General of Bendel State v. Attorney-General of the Federation* (1981) 12 NSCC 314.
[96] S Oyedele, 'Politics and the Financing of Public Services in Nigeria' (2022) *Journal of African Public Policy* 7(1) 67.
Transparency International, *Corruption Perceptions Index 2024: Nigeria Country Profile* <https://www.transparency.org/en/cpi/2024/index/nigeria> accessed 28 October 2025.
[97] Suit No: FHC/L/CS/1497/2017.

to implement them rigorously remains weak. These political constraints create uncertainty and high risk, deterring long-term investments in innovative solutions for financing social projects.

14. Conclusion

The financing of social projects in Nigeria remains one of the most critical challenges to sustainable development, equity, and inclusive growth. As the country grapples with mounting social needs in healthcare, education, housing, environmental protection, and poverty alleviation, it has become increasingly clear that traditional funding mechanisms, especially government budgets and donor assistance, are insufficient, unreliable, and poorly adapted to the complex realities of contemporary development. This research has demonstrated that addressing this financing gap requires a radical shift in the legal and institutional frameworks that govern financial innovation. The role of law and regulation is central, not merely as a tool for oversight and enforcement, but as a key enabler of innovation, market confidence, investor protection, and transparent outcomes in social project financing.

15. Recommendations

This paper hereby makes the following recommendations, though not exhaustive, but quite instructive:

i. Strengthening and Harmonizing the Legal and Regulatory Framework:

The absence of a clear, supportive legal structure for innovative financing models such as Development Impact Bonds (DIBs), Blended Finance, and Advance Market Commitments (AMCs) limits investor confidence. Nigeria should enact or revise laws to formally recognise these instruments, provide guidance on their implementation, and clarify the regulatory roles of bodies like the SEC, CBN, and NDIC. This includes standardising outcome-based contracts, introducing legal safeguards for investor risk-sharing, and ensuring enforceability under Nigerian law.

ii. Building of Institutional Capacity and Improving Co-ordination:

Government institutions must develop the technical know-how and administrative capabilities to design, implement, and monitor complex social financing instruments. This includes training personnel in relevant ministries and regulatory agencies, setting up inter-agency coordinating units for innovative finance, and embedding financial innovation experts within key departments. Dedicated impact financing units within the Ministry of Finance, NSIA, and state investment agencies will help streamline project structuring and implementation.

iii. Promotion of Public-Private Partnerships (PPPs) with Defined Social Objectives:

Nigeria should adopt PPP models that prioritise social outcomes alongside financial sustainability. These include social infrastructure PPPs in education, healthcare, housing, and agriculture where the private sector is rewarded based on measurable improvements in access, quality, or affordability. Clear procurement guidelines, performance-based contracts, and streamlined approval processes are essential to make PPPs more attractive and effective.

iv. Expansion of Public Awareness and Stakeholder Engagement:

A major barrier to innovative financing is lack of awareness among both public sector actors and potential investors. Stakeholder sensitisation campaigns, capacity-building workshops, and community engagement strategies should be adopted to explain the benefits, mechanics, and safeguards of innovative financing. This will foster public trust, encourage political buy-in, and build a pipeline of bankable social projects.

v. Leveraging Technology and Fintech to Expand Access to Social Finance:

Digital platforms can be deployed to mobilise micro-savings, execute smart contracts, ensure transparent disbursement, and track impact in real time. Regulatory reforms should support the development of inclusive fintech tools such as digital KYC, mobile-based investment platforms, and blockchain for impact verification. Fintech can also support alternative credit scoring to unlock funding for informal businesses and community-based projects.