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From Stabilization to Productive Prosperity: A Multi-Level Governance Framework for Nigeria's Economic Transformation, 2026–2035

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Abstract

Nigeria's political economy reached a critical inflexion point following the inauguration of President Bola Ahmed Tinubu in May 2023. The administration swiftly implemented a sweeping stabilisation agenda, collectively termed Tinubunomics, encompassing the removal of long-standing petroleum subsidies, the unification of multiple official foreign exchange (FX) windows into a single market-determined regime, the tightening of monetary policy, and comprehensive tax reform. These measures, representing the most consequential structural adjustments in Nigeria's economic history in over two decades, corrected fiscal distortions estimated to cost the federation over ₦4 trillion annually. While the International Monetary Fund (IMF) and the World Bank acknowledged the boldness of these reforms and their positive effects on macroeconomic credibility, investor confidence, and external reserves, their distributional consequences have been severe: inflation peaked at approximately 34.6 percent in late 2024, an estimated 31 million Nigerians were classified as acutely food insecure, multi-dimensional poverty affected approximately 63 percent of the population, and the World Bank estimated that over 54 percent of Nigerians now live below the international poverty line.

This paper argues that the stabilisation phase, while necessary, is insufficient as a terminal reform destination, and that the transition from stabilisation to productive prosperity requires a systematic, institutionally grounded Multi-Level Governance Framework (MLGF). The framework coordinates macroeconomic stewardship at the federal tier, industrial transformation at the state tier, and grassroots productivity enablement at the local government tier, within a cooperative multi-level governance architecture. Drawing on the Tinubu administration's Renewed Hope Agenda, the African Development Bank's Country Strategy Paper (2025–2030), IMF Article IV consultations (2024–2025), World Bank Nigeria Development Updates, and an extensive body of peer-reviewed scholarship on Nigerian fiscal federalism, industrial policy, energy reform, and digital economy development, the paper advances a three-phase transformation framework spanning 2026–2035: macroeconomic consolidation (2026–2027), industrial and infrastructure expansion (2027–2030), and knowledge-economy transition (2030–2035).

The framework integrates supply-side industrial policy, social protection architecture, power sector reform, food security intervention, digital economy strategy, and human capital development within a coherent multi-level institutional structure. It further proposes financing strategies anchored in domestic resource mobilisation, development finance, and public-private partnerships. The central thesis is that Nigeria must urgently transition from stabilisation-led macroeconomics to productivity-driven, inclusion-oriented development if reform gains are to be sustained and broadly shared. The paper contributes to scholarship on post-stabilisation political economy by operationalising multi-level governance theory in the specific developmental context of Africa's largest economy.

Keywords: *Nigeria economic transformation; multi-level governance; stabilisation policy; productive prosperity; fiscal federalism; industrial policy; Tinubunomics; post-stabilisation political economy; social protection; macroeconomic diversification; inclusive growth; domestic resource mobilisation*

INTRODUCTION

Nigeria occupies a paradoxical position in the global development environment. As Sub-Saharan Africa's most populous nation and the continent's largest economy by nominal gross domestic product (GDP), Nigeria commands vast natural endowments, including proven crude oil reserves of approximately 37 billion barrels, a demographically young and entrepreneurially vibrant population of over 220 million,

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vast agricultural potential spanning some of the continent's most fertile soils, and a digital-services ecosystem that has produced five fintech unicorns (Aigbe et al., 2023; IMF, 2024). However, for most of its citizens, the promise of shared prosperity has remained elusive, deferred by structural vulnerabilities, governance deficits, and a near-total dependence on crude oil revenues that have rendered economic stability hostage to international commodity cycles (Aigbe et al., 2023; IMF, 2024). This paradox of resource abundance and structural underdevelopment is reflected in some of the world's most troubling development indicators: a multi-dimensional poverty headcount of 63% (approximately 133 million people) as captured by the National Bureau of Statistics (NBS, 2022) in collaboration with the United Nations Development Programme and the Oxford Poverty and Human Development Initiative; a tax-to-GDP ratio of merely 9.4% in 2023, among the lowest globally (IMF, 2024a); chronic electricity deficits leaving more than 50% of the population without grid access (Alabi et al., 2023); and a manufacturing sector contributing less than 10% of GDP relative to comparable middle-income economies.

The administration of President Bola Ahmed Tinubu, which assumed office on 29 May 2023, immediately precipitated a dramatic and far-reaching departure from the economic policy orthodoxies of preceding administrations, implementing the most consequential macroeconomic reforms in Nigeria's recent history. On his first day in office, Tinubu announced the termination of Nigeria's petroleum subsidy regime, a fiscal instrument that had, by 2022, consumed an estimated ₦4 trillion annually and was projected to reach ₦17 trillion in 2023, equivalent to approximately 77% of the federal budget (Pan African Review, 2026), with his inaugural declaration: *"subsidy is gone."* Within weeks, the Central Bank of Nigeria (CBN) implemented a comprehensive unification of multiple official foreign exchange windows into a single market-determined rate under a willing-buyer, willing-seller framework, resulting in an immediate depreciation of approximately 60% in the naira against the US dollar (IMF, 2024b). The CBN subsequently deployed an Electronic Foreign Exchange Matching System (EFEMS), driving average daily forex turnover to US$350 million by March 2024, the highest recorded since 2014 (IMF, 2025a). These structural adjustments were complemented by successive tightening of the Monetary Policy Rate (MPR) from 11.5% to 27.5% between 2022 and mid-2024, and the passage of four landmark tax reform bills restructuring value-added tax, company income tax, and the legal architecture of the Federal Inland Revenue Service (IMF, 2024; World Bank, 2025). These twin-anchor reforms, undertaken with remarkable speed and political boldness, constitute the empirical nucleus of what has been termed *Tinubunomics*.

The international development community has largely commended these reforms. The IMF (2024b) acknowledged that Nigeria's new administration "made a strong start, tackling deep-rooted structural issues in challenging circumstances," while the IMF's 2025 Article IV mission confirmed that the authorities had "implemented major reforms which have improved macroeconomic stability and enhanced resilience" (IMF, 2025a). Federal revenues surged from approximately ₦16.8 trillion (7.2% of GDP) in 2023 to ₦31.9 trillion (11.5% of GDP) in 2024 (AfDB, 2025a), and Nigeria successfully issued a Eurobond, received a Moody's credit rating upgrade, and achieved a current account surplus in 2024. The World Bank's Nigeria Development Update (2023) noted that the reforms were "timely and crucial to set Nigeria on the path of economic growth." Nevertheless, both institutions consistently highlighted the acute social costs of rapid adjustment. Headline inflation surged to an annual average of 31% in 2024, with food inflation reaching 38% year-on-year by February 2024 (IMF, 2024a); approximately 31 million citizens were classified as acutely food insecure (IMF, 2025a); the poverty rate was estimated at 46% in 2023 (IMF, 2024a), climbing to an estimated 63% by 2025 (World Bank, 2025). An additional 42 million people were assessed to have fallen into poverty since 2018/19 (World Bank, 2025). The African Development Bank's 2025 Country Focus Report (AfDB, 2025) further identified a development financing gap of $31.5 billion annually, underscoring the structural deficits that short-term stabilisation alone cannot address. As the World Bank's October 2025 Nigeria Development Update observed, macroeconomic gains had not yet translated into better living standards for ordinary Nigerians (World Bank, 2025). The human cost of stabilisation, in short, has been substantial, if not devastating.

This paper proceeds from the central analytical contention that macroeconomic stabilisation, however necessary, constitutes an incomplete and insufficient terminal development paradigm for a country of Nigeria's scale, demographic complexity, and development deficit. Sustainable prosperity requires a second-generation reform agenda that translates fiscal discipline and monetary credibility into structural industrial transformation, productive employment generation, adequate social protection, and inclusive human capital development. The reform architecture of the Tinubu administration must therefore urgently transition from what may be characterised as *economic surgery*, the painful but necessary correction of structural distortions, to a second-phase agenda of productive consolidation, industrial expansion, and socially inclusive growth. Achieving this requires not merely better federal policies, but a fundamentally restructured system of multi-level governance in which federal, state, and local government tiers operate as coherent, complementary, and accountable nodes of development delivery.

The paper makes three principal contributions to the scholarly and policy discourse. First, it provides a systematic empirical assessment of the macroeconomic outcomes and social costs of the *Tinubunomics* stabilisation phase. Second, it operationalises multi-level governance (MLG) theory, developed largely in the context of the European Union and advanced federal systems (Marks, 1993; Bache & Flinders, 2004), within the specific political economy of a large, complex, resource-dependent African state, constructing a theoretically grounded and phased transformation roadmap for

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the 2026–2035 period. Third, it delineates an institutional architecture for multi-level governance implementation that assigns differentiated roles to federal, state, and local governments within Nigeria's constitutional federal framework, integrating macroeconomic policy, industrial strategy, social protection, energy reform, agricultural modernisation, digital economy development, and human capital investment within a unified governance architecture.

The remainder of this paper is structured as follows. Section 2 reviews the theoretical and empirical literature on multi-level governance, economic reform sequencing, stabilisation-to-growth transitions, Nigerian fiscal federalism, and post-stabilisation political economy in sub-Saharan African contexts. Section 3 provides a critical and detailed assessment of the Tinubu stabilisation agenda, including its macroeconomic outcomes and social impacts. Section 4 presents the multi-level governance framework and the three-phase transformation roadmap (2026–2035). Section 5 develops the institutional architecture and financing modalities. Section 6 discusses implications for policy and scholarship. Section 7 concludes.

2 THEORETICAL FRAMEWORK AND LITERATURE REVIEW

2.1 Multi-Level Governance Theory and Federal Systems

Multi-level governance (MLG) theory, first systematically articulated by Marks (1993) in the context of European structural policy, posits that political authority is not exclusively concentrated in central governments but is shared across multiple territorial tiers operating simultaneously. Bache and Flinders (2004) extended this framework to encompass both vertical inter-governmental relations, between supranational, national, regional, and local tiers, and horizontal relations involving non-state actors, including private firms, civil society organisations, and international development partners. The theory has since been applied extensively to environmental governance (Aigbe et al., 2023), fiscal decentralisation (Okereka & Ezo, 2024), and development administration in sub-Saharan Africa.

The institutional dimensions of economic transformation in federal systems have received increasing analytical attention. Bahl and Martinez-Vazquez (2006) identify the alignment of fiscal decentralisation with expenditure responsibilities as a critical determinant of subnational government effectiveness. In the Nigerian context, MLG theory intersects directly with the country's federalism architecture. Nigeria's 1999 Constitution distributes legislative and executive authority across three tiers: the federal government, thirty-six states, the Federal Capital Territory, and 774 local government areas (LGAs). Revenue flows through the Federation Account Allocation Committee (FAAC), yet primary service delivery responsibilities rest with states and local governments, a structural disconnect between resources and responsibilities that has consistently undermined development outcomes (Adedeji, 2022). Okereka and Ezo (2024) observe that, while the constitutional design envisions each tier as independently responsive to its constituency, Nigerian federalism is, in practice, heavily centralised, with sub-national governments excessively dependent on federation account allocations rather than on internally generated revenues. Abdullahi et al. (2020) demonstrate, using autoregressive distributed lag (ARDL) modelling, that expenditure decentralisation promotes economic development in Nigeria.

In contrast, revenue decentralisation has retarded it, a finding with direct implications for the governance framework advanced in this paper. Recent scholarship further emphasises that grassroots productivity and community development require active local government engagement beyond revenue receipt, necessitating capacity building, accountability mechanisms, and performance-based incentives (Adedeji, 2022). The AfDB (2025) reinforces this point in its Country Focus Report, emphasising the need for "integrated strategies that make every form of capital, fiscal, financial, human, natural, and institutional, work together to drive inclusive and sustainable transformation." In the Nigerian oil sector specifically, Aigbe et al. (2023) demonstrate, through a multi-level governance analysis, that institutional fragmentation across governance scales systematically undermines policy coherence, producing outcomes that fall well short of national developmental aspirations.

2.2 Post-Stabilisation Political Economy and the Sequencing Problem

The relationship between macroeconomic stabilisation and long-term development has been extensively theorised in the development economics literature. The literature on structural adjustment and economic stabilisation in developing economies reveals a well-documented pattern: first-generation macroeconomic reforms restore fiscal balance and monetary credibility but frequently impose disproportionate transitional costs on the poor and middle classes, generating political resistance that undermines the sustainability of the reform programme (Easterly, 2005; Rodrik, 2006). Rodrik (2006) further argues that such programmes, characterised by rapid liberalisation, fiscal tightening, and currency devaluation, frequently produced macroeconomic improvements without commensurate gains in productive capacity or poverty reduction, a challenge he terms the "growth diagnostics" problem. Similarly, Stiglitz (2002) critiques the Washington Consensus framework for prioritising capital account liberalisation and rapid privatisation ahead of the institutional prerequisites that give markets their productive and allocative efficiency.

Nigeria's own experience with IMF-influenced Structural Adjustment Programmes (SAPs) under General Ibrahim Babangida (1986–1993) illustrates this dynamic acutely, as exchange rate devaluation and subsidy removal produced severe social dislocation without commensurate productive transformation, with stabilisation gains repeatedly failing to translate into durable improvements in manufacturing output or living standards (Adeyemi & Ogun, 2023). Scholars have argued that the distinguishing feature of successful developmental states, South Korea, Taiwan, Botswana, Rwanda, and Indonesia, is not simply macroeconomic

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discipline but the simultaneous construction of productive capacity alongside financial stabilisation (Mkandawire, 2001; Rodrik, 2006). Acemoglu and Robinson (2012) locate economic success specifically in the quality of inclusive political and economic institutions, arguing that extractive institutions systematically divert rents from productive use.

More recent scholarship has refined the understanding of reform sequencing in low- and middle-income country contexts. Cherif et al. (2022), in an IMF Departmental Paper, establish a conceptual framework for industrial policy in diversifying economies, emphasising the necessity of graduated, state-facilitated transformation rather than pure market liberalisation. Delechat et al. (2024), in a complementary IMF paper, analyse country experiences with diversification strategies and conclude that broad-based policies addressing infrastructure, human capital, and institutional quality are more likely to produce durable structural change than narrow, sector-specific interventions. These insights are directly relevant to Nigeria, whose oil dependence has persistently undermined fiscal sustainability and productive diversification (Iwayemi et al., 2021).

2.3 Economic Diversification in Sub-Saharan Africa

Nigeria's economy remains excessively concentrated in the hydrocarbon sector, with oil exports historically accounting for approximately 90% of foreign exchange earnings and over 60% of government revenue (World Bank, 2023). This structural vulnerability has been extensively documented in the literature. Adeyemi and Ogun (2023) demonstrate through econometric analysis that diversification toward industrialisation represents the most sustainable pathway to economic resilience in Nigeria, finding that the industrial sector's contribution to aggregate output, employment, and exports has remained persistently low. Nigeria's manufacturing export share stood at merely 7.5% of total exports in 2023, compared to over 30% in South Africa and 25% in Egypt (World Bank, 2024a), reflecting the sector's structural underdevelopment. Nigeria's manufacturing sector more broadly has long underperformed relative to its factor endowment: the sector's share of GDP declined from approximately 15.3% in 1981 to 4.2% by 2001, a deindustrialisation process driven by Dutch disease dynamics during the oil boom decades and subsequently by infrastructure deficits, high credit costs, and import competition (Federal Ministry of Industry, Trade and Investment, 2018; Effiong, 2022).

The literature on economic complexity theory, pioneered by Hidalgo and Hausmann (2009), provides a complementary analytical lens. Their findings that countries with higher economic complexity exhibit higher income levels and faster growth trajectories suggest that Nigeria's productive transformation must involve deliberate capability-building across more complex, value-added industries, not merely resource extraction and primary commodity exports. Empirical work on Nigeria's manufacturing sector further establishes the critical link between industrial expansion, employment creation, and GDP growth, with Chukwu and Nduka (2022) identifying the industrial sector as central to the country's diversification from oil dependence. Olabisi et al. (2024) similarly demonstrate through panel econometric analysis that macroeconomic stability, particularly exchange rate stability and controlled inflation, is a necessary but insufficient condition for manufacturing output growth, and that productive infrastructure, especially reliable electricity, is the binding complementary input.

2.4 Energy Constraints and Industrial Development

One of the most robustly documented constraints on Nigerian industrial development is the chronic inadequacy of electricity supply. Nigeria generates approximately 4,500 MW for a population exceeding 220 million, representing less than a quarter of the estimated national demand, leaving over 50% of the population without grid access (Alabi et al., 2023). A World Bank (2023) study found power unreliability to be the most significant constraint to private sector growth across Sub-Saharan Africa, while Nigeria-specific analysis suggests that energy-related costs reduce GDP by an estimated five to seven per cent annually, equivalent to approximately US$25–29 billion (UNDP, 2025). The World Bank (2021) further quantified this effect, showing that firms reporting electricity as a moderate to severe constraint experienced a statistically higher probability of sales losses, directly linking energy insecurity to firm-level productivity losses.

Gold et al. (2024), in a multi-decade analysis published in the *Journal of Applied Economic Research*, establish statistically significant relationships between electricity production, consumption, and manufacturing sector performance in Nigeria, finding that inadequate energy supply is a principal driver of the sector's chronic underperformance. This finding is consistent with earlier work by Olayemi (2011), who demonstrated that electricity generation and supply negatively impacted manufacturing productivity growth due to the high cost of self-generation through diesel-powered alternatives. Adebayo et al. (2024) further demonstrate, through a multi-country analysis, that energy access and renewable energy integration are statistically significant determinants of manufacturing-led growth across African economies. Nigeria's Electricity Act 2023 represents a significant institutional response, creating the Nigeria Independent System Operator (NISO) and enabling state-level electricity markets. However, the full realisation of these reforms requires sustained investment and regulatory commitment (UNDP, 2025).

2.5 Social Protection, Reform Sustainability, and Fiscal Federalism

The political economy literature on reform sustainability consistently emphasises the importance of social protection mechanisms in maintaining reform momentum. Rodrik (1996) argues that economic reforms lacking credible compensatory mechanisms are vulnerable to political reversal, particularly in democracies where reform costs are concentrated among specific groups. In the Nigerian context, this insight is analytically acute: Nigeria's successive attempts at subsidy rationalisation in 2011–2012 were reversed under mass protests precisely because compensatory social protections were absent or inadequate. The Nigerian Economic Summit

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Group (2023) has emphasised that social safety nets are crucial for reducing the negative impacts of economic reforms on vulnerable populations. The World Bank (2023) similarly called for "a robust, large-scale cash transfer program to provide quick relief to the poor" as a prerequisite for sustainable reform implementation, estimating that targeted cash transfers could mitigate short-term adjustment costs to the poor and vulnerable and reduce their risk of falling into intergenerational poverty traps.

The removal of the fuel subsidy, a politically entrenched, regressive transfer that disproportionately benefited higher-income urban consumers and subsidy merchants, was economically justified. However, the IMF and World Bank both identified the inadequacy of the compensatory social protection architecture as a central vulnerability of the reform package (IMF, 2024; World Bank, 2025). Despite the Tinubu administration launching a social safety net programme targeting 15 million households with ₦25,000 transfers, by 2025, the conditional cash transfer programme had reached only 5.5 million of the targeted households, with implementation constrained by the complexity of biometric data integration into the national identity management system (IMF, 2025a; World Bank, 2025). Abdullahi et al.'s (2020) finding that expenditure decentralisation supports development outcomes suggests that channelling social protection funding through sub-national government structures, with appropriate accountability mechanisms, may accelerate delivery.

2.6 Human Capital Development

On human capital, the literature is unambiguous: investments in education quality, health system strengthening, and skills alignment with labour market demand are consistently associated with long-run productivity growth and income convergence (World Bank, 2019). Nigeria's challenge in this regard is structural; tertiary gross enrolment ratios remain below thirty per cent, science-technology-engineering-mathematics (STEM) education is severely underfunded, and health system financing at approximately 3.6% of GDP falls far below the Abuja Declaration benchmark of fifteen per cent. The AfDB's Investment in Digital and Creative Enterprises (i-DICE) programme, launched with US$618 million in March 2023, represents a significant effort to develop Nigeria's digital and creative human capital base (AfDB, 2023), consistent with the broader empirical consensus linking human capital investment to structural economic transformation in low- and middle-income economies.

3 THE TINUBU STABILISATION AGENDA: A CRITICAL ASSESSMENT

3.1 Reform Architecture: The Four Pillars of Tinubunomics

The Tinubu administration's stabilisation agenda represented a comprehensive and deliberate break from the policy incrementalism that had characterised successive Nigerian administrations since the 2016 oil price crisis, constituting the most far-reaching macroeconomic reforms in Nigeria's recent history. The agenda was built on four interlocking pillars.

The first pillar was the elimination of petroleum subsidies, one of the most fiscally destructive instruments in Nigerian public finance. Subsidy costs had reached ₦4 trillion in 2022 and were projected to consume ₦17 trillion in 2023, equivalent to approximately 77% of the federal budget and 4.3% of GDP annually (IMF, 2024; Pan African Review, 2026). By removing this subsidy, the administration recovered substantial fiscal space: the World Bank (2023) projected that fiscal savings from the reform would reach approximately ₦2 trillion in 2023 alone, growing to over ₦11 trillion by the end of 2025.

The second pillar was the unification of Nigeria's multiple official foreign exchange windows into a single market-determined rate under a willing-buyer, willing-seller framework, eliminating a chronic source of rent-seeking, FX arbitrage, and investor uncertainty. The naira depreciated sharply from approximately ₦460 to the US dollar to ₦760 immediately following FX unification in June 2023, before stabilising as CBN interventions and improving portfolio flows lent support (IMF, 2025a). The CBN subsequently implemented the Electronic Foreign Exchange Matching System (EFEMS), a digital order-matching mechanism that by March 2024 had driven average daily forex turnover to US$350 million, the highest level since 2014 (FMDQ, 2024; IMF, 2025a). Gross international reserves increased from $33 billion at end-2023 to $40 billion at end-2024, while net international reserves strengthened to $23 billion (IMF, 2025a). The balance of payments swung into a current account surplus of $3.73 billion in Q1 2025, compared to $6.83 billion for the whole of 2024 (The Guardian, 2025).

The third pillar was a comprehensive monetary tightening programme implemented by the reconstituted CBN leadership under Governor Olayemi Cardoso. The Monetary Policy Committee raised the policy rate by a cumulative 1,025 basis points from May 2022, reaching 22.75% in early 2024 (IMF, 2024c). This monetary tightening, combined with naira stabilisation and improved food production, contributed to a reduction in headline inflation from a peak of 34.8% in December 2024 to 23.7% year-on-year under the rebased Consumer Price Index (CPI) methodology (IMF, 2025b).

The fourth pillar was comprehensive tax reform. The Presidential Fiscal Policy and Tax Reforms Committee, charged with raising revenue collection to 18% of GDP over five years (IMF, 2024b), produced a suite of tax bills restructuring value-added tax, company income tax, and the legal architecture of the Federal Inland Revenue Service, signed into law in 2025 and representing the most comprehensive overhaul of Nigeria's tax architecture in decades (IMF, 2024; World Bank, 2025). Together, these twin-anchor and complementary reforms eliminated two of the most significant structural distortions in the Nigerian economy (IMF, 2024).

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3.2 Macroeconomic Outcomes

The macroeconomic results of the stabilisation phase are measurably positive across several key indicators. Federal revenues nearly doubled in a single year, surging from approximately ₦16.8 trillion (7.2% of GDP) in 2023 to ₦31.9 trillion (11.5% of GDP) in 2024, with the consolidated fiscal deficit narrowing to 4.1% of GDP in 2024 from 4.8% in 2023 (AfDB, 2025a; IMF, 2025a). GDP growth accelerated to 3.4% in 2024, driven by increased hydrocarbon output recovery and a vibrant services sector, particularly financial services, telecommunications, and information technology, with the non-oil sector contributing 96.6% of total output, rising further to 97.13% in Q4 2025 (NBS, 2025; CBN, 2024; IMF, 2025b). Investor confidence strengthened considerably: Nigeria successfully tapped the Eurobond market, portfolio inflows resumed, and Moody's upgraded Nigeria's sovereign credit rating (IMF, 2025b). Non-oil export earnings grew by 65.06% in Q1 2025 compared to the same period in 2024, and the share of agriculture in total exports doubled from 4.1% to 8.3% over the same period (The Guardian, 2025). Equity market capitalisation rose to ₦89.37 trillion by July 2025, with the All-Share Index gaining 37.25% year-to-date.

Table 1: KEY MACROECONOMIC INDICATORS: NIGERIA 2023–2025
GDP Growth (2024): 3.4% | Projected 2025: 3.7% (World Bank) | Q3 2025: 3.98% (NBS)
Annual Average Inflation (2024): 31% | Q1 2025 YoY: 24% | Jan 2026: 15.1%
Federal Revenue (2024): ₦31.9 trillion (11.5% GDP) vs ₦16.8 trillion (7.2% GDP) in 2023
Fiscal Deficit (2024): 4.1% of GDP (narrowed from 4.8% in 2023)
Poverty Rate (2025 est.): ~63% of population below national poverty line
Acutely Food Insecure Population (2024): ~31 million Nigerians
Non-Oil Sector Share of GDP (Q4 2025): 97.13%
Sources: IMF (2025a); World Bank (2025); NBS (2025); CBN (2024); AfDB (2025a)

The key macroeconomic indicators in Table 1 for the 2023–2025 period are summarised as follows: GDP growth reached 3.4% in 2024, with the World Bank projecting 3.7% for 2025 and the NBS recording 3.98% in Q3 2025; annual average inflation averaged 31% in 2024, moderating to 24% in Q1 2025 year-on-year and further to 15.1% in January 2026; the national poverty rate was estimated at approximately 63% by 2025; and approximately 31 million Nigerians were classified as acutely food insecure in 2024 (IMF, 2025a; World Bank, 2025; NBS, 2025; CBN, 2024; AfDB, 2025a).

Notwithstanding these gains, both the AfDB (2025) and the IMF (2025b) projected medium-term growth hovering around 3.2–3.5%, attributing the moderation to "persistent structural bottlenecks and heightened global uncertainty." These projections underscore the fundamental challenge identified in this paper: stabilisation-phase growth rates, while positive, are insufficient to reduce poverty, absorb Nigeria's rapidly growing labour force, estimated to increase by 10–15 million workers per decade, or achieve the structural transformation required for middle-income country status.

3.3 The Social Cost of Stabilisation and the Equity Challenge

The distributional consequences of the stabilisation programme have been severe and disproportionately borne by lower-income households. Annual average inflation surged to 31% in 2024, driven by naira depreciation, energy cost pass-through, food supply chain disruption, and elevated borrowing costs (IMF, 2025a), with food inflation reaching 38% year-on-year by February 2024 (IMF, 2024a). The removal of fuel subsidies, while fiscally necessary, immediately translated into transport cost increases that amplified food price inflation across the country (LSE Africa Blog, 2025). The World Food Programme warned in late 2024 that "never before have there been so many people in Nigeria without food," with 33.1 million Nigerians projected to face acute food insecurity during the June–August 2025 lean season, an increase of seven million from the same period in 2024 (WFP, 2024).

The poverty trajectory has been correspondingly acute. The IMF's 2024 Article IV Consultation estimated the poverty rate at 46% in 2023 (IMF, 2024a), while the World Bank (2025) subsequently estimated that over 54% of Nigerians now live below the international poverty line, with an additional 42 million people having fallen into poverty since 2018/19. An estimated 7 million additional Nigerians fell into poverty in 2025 alone, raising the poverty headcount ratio to approximately 63% (World Bank, 2025). The NBS (2022) Multi-dimensional Poverty Index, conducted in collaboration with UNDP and the Oxford Poverty and Human Development Initiative (OPHI), established that 63% of Nigerians — approximately 133 million people — experience multi-dimensional poverty, encompassing deprivations in health, education, living standards, employment, and vulnerability to shocks. Nigeria ranked 110th out of 127 countries in the 2024 Global Hunger Index, a level described as "serious" (LSE Africa Blog, 2025).

The Tinubu administration's social protection response has been characterised by ambition in design but weakness in implementation. The government launched a cash transfer programme targeting 15 million households with transfers of ₦25,000, and the IMF (2024c) welcomed the "recently approved targeted social safety net program." However, by 2025, the programme had reached only 5.5 million of the targeted households, with implementation constrained by the complexity of biometric data integration into the national identity management system (IMF, 2025a). The World Bank (2025) noted that implementation was slow and insufficient to counter inflationary pressures on low-income households.

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This implementation gap, between the political announcement of compensatory measures and their effective delivery, represents one of the most significant risks to the long-term sustainability of the reform programme, consistent with Rodrik's (1996) theoretical predictions about reform reversal in the absence of effective social protection. The #EndBadGovernance protests of August 2024, though ultimately contained, constituted a stark political signal of the social limits of uncompensated adjustment (Pan African Review, 2026). As the IMF's African Region Director, Abebe Selassie, acknowledged at the 2024 IMF/World Bank Annual Meetings: "a better job can be done by rolling out social protection, particularly for the most vulnerable" (IMF, 2024d), an acknowledgement that underscores the analytical consensus that stabilisation gains must be accompanied by, not followed by, meaningful social protection investments.

3.4 Structural Vulnerabilities Persisting Beyond Stabilisation

In spite of the macroeconomic gains, several structural vulnerabilities persist and constrain the transition to sustained inclusive growth. First, Nigeria's manufacturing capacity utilisation averaged 61.9% in late 2024, reflecting both demand compression and persistent infrastructure deficits, particularly an unreliable electricity supply (CBN, 2024). The industrial sector's contribution to GDP remains structurally thin at approximately 23%, with manufacturing accounting for only a fraction of that share compared to a global developing-country average of 16% for the manufacturing sub-component alone (World Bank, 2023). Second, non-oil export revenues remain far below potential. At under US$10 billion annually, they represent a minimal share of a continent-wide market that the African Continental Free Trade Area (AfCFTA) is progressively integrating. Third, Nigeria's digital infrastructure, while among the most advanced in Sub-Saharan Africa, exhibits severe urban-rural disparities that limit the inclusive scaling of the digital economy. Fourth, FDI flows in the first half of 2024 recorded under US$29 million, reflecting persistent concerns about regulatory predictability, security, and infrastructure quality (BusinessDay, 2025). Fifth, the African Development Bank's 2025 Country Focus Report identified a development financing gap of $31.5 billion annually, underscoring the structural deficits that short-term stabilisation cannot address alone (AfDB, 2025).

These outcomes collectively underscore the central theoretical proposition of this paper: macroeconomic stabilisation, absent a concurrent productive transformation strategy embedded in robust multi-level governance, generates social regression that ultimately undermines the political sustainability of reform itself. Nigeria's stabilisation reforms have improved macroeconomic credibility and investor confidence, but poverty and food insecurity have risen sharply. The central challenge of the next decade is to translate fiscal discipline into visible jobs, rising incomes, industrial productivity, and nationally shared prosperity.

4 A MULTI-LEVEL GOVERNANCE FRAMEWORK FOR NIGERIA'S ECONOMIC TRANSFORMATION: A THREE-PHASED ROADMAP (2026–2035)

The conceptual architecture of this transformation roadmap is grounded in the recognition that Nigeria's development challenge is not one of macroeconomic adjustment alone, but of structural transformation: the shift from a commodity-exporting, consumption-led economy to a diversified, production-oriented, and inclusive economy. Drawing on Rodrik's (2006) growth diagnostics framework, Hidalgo and Hausmann's (2009) economic complexity theory, and the IMF's (2022) industrial policy framework for diversification, the paper proposes a three-phased roadmap structured around progressively higher-order development objectives.

The Multi-Level Governance Framework for Nigeria's Economic Transformation (Nigeria-MLGF) advanced in this paper assigns distinct but complementary roles to each tier of government and to the private sector, civil society, and development partners. It structures Nigeria's transformation agenda into three overlapping phases: Phase I (2026–2027), Stabilisation, Consolidation, and Social Protection; Phase II (2027–2030), Industrial and Infrastructure Expansion; and Phase III (2030–2035), High-Growth Knowledge Economy Transition. The framework is explicitly multi-dimensional, incorporating macroeconomic management, social protection, food security, power sector reform, industrial policy, logistics transformation, digital economy development, and human capital investment within a single integrated governance architecture.

4.1 Phase I (2026–2027): Stabilisation, Consolidation and Social Protection

4.1.1 Inflation Reduction and Currency Stabilisation

The primary macroeconomic objective of the first phase must be to reduce headline inflation to below 15% by 2027, a target that aligns with the CBN's progressive disinflation trajectory, as headline inflation has declined from a peak of 34.6% in November 2024 to 15.1% in January 2026 (NBS, 2025). The IMF (2025b) has emphasised that the CBN should maintain its tight monetary policy stance "until disinflation becomes entrenched," commending efforts to build reserves and support market confidence. Operationally, sustaining this trajectory requires continued monetary policy discipline, aggressive reserve accumulation, reduction of speculative pressure in the foreign exchange market, and the diversification of non-oil foreign exchange inflows through diaspora bond instruments, digital services export facilitation, agro-export incentive regimes, and strategic tourism development. Nigeria's gross international reserves reached $40 billion by end-2024, representing six months of import cover — a significant achievement that provides the foundation for naira stability (IMF, 2025a). A stable naira band, underpinned by the CBN's Electronic Foreign Exchange Matching System and supported by the inflation-targeting framework under development with IMF technical assistance,

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is an essential precondition for lengthening industrial planning horizons and for productive investment to materialise (IMF, 2025a).

The federal government must simultaneously address the structural drivers of food inflation, insecurity in the Middle Belt and North-West farming regions, inadequate irrigation infrastructure, dysfunctional commodity storage systems, and poor farm-to-market road connectivity. The IMF (2025a) specifically identified agricultural insecurity as a constraint on growth in 2024, noting that agriculture "remained subdued, owing to security challenges and sliding productivity." Resolving this nexus requires deploying the federal government's security architecture alongside state-level agricultural extension services and local government-administered cooperative frameworks in a coordinated fashion, precisely the multi-level coordination that the Nigeria-MLGF is designed to enable.

4.1.2 National Social Protection Compact

The most urgent social policy imperative of Phase I is the rapid scaling-up of a comprehensive and coherent National Social Protection Compact to complement the macroeconomic reform programme. The theoretical and empirical literature, from Rodrik (1996) to the World Bank (2023, 2025), is unambiguous: economic reforms are politically unsustainable when citizens experience only the costs of adjustment without compensatory benefits. The IMF and World Bank have both emphasised that stabilisation gains have not benefited all Nigerians and that scaling up social safety nets is a near-term policy priority (IMF, 2025a; World Bank, 2025). The World Bank (2023) specifically called for reforms to be "accompanied by compensatory actions to mitigate the short-term impact on the poor," while the IMF (2024a) urged the government to prioritise "rolling out social protection" as a key near-term policy objective.

The existing conditional cash transfer programme, partly financed by subsidy savings and partly by World Bank development financing, must reach its full target of 15 million vulnerable households, resolving the integration bottleneck between the national social register and the biometric national identity database (IMF, 2025a; World Bank, 2025). Beyond cash transfers, the Social Protection Compact should encompass a national food support programme, transport subsidy vouchers for low-income workers and students, universal school feeding programmes, and targeted electricity subsidies for households in the lowest consumption deciles. Financing these programmes requires the ring-fencing of fiscal savings from subsidy removal. As Pan African Review (2026) recommends, a Subsidy Savings Regime that transparently allocates savings, with suggested proportions of 60% to infrastructure, 25% to social sectors, and 15% to the power sector, and is backed by public reporting, would significantly enhance reform accountability and public trust. The AfDB (2025) has similarly emphasised the need to close Nigeria's annual development financing gap of $31.5 billion, noting that while tax reforms and non-oil revenue expansion are beginning to yield results, the informal sector remains large, tax compliance is low, and the tax-to-GDP ratio is among the lowest in the region. Abdullahi et al. (2020) demonstrate that expenditure decentralisation promotes development outcomes in Nigeria, suggesting that channelling social protection resources through state and local government structures, within a performance accountability framework, may accelerate last-mile delivery.

4.1.3 Emergency Food Security Mission

Nigeria's acute food insecurity crisis demands a dedicated Emergency Food Security Mission operating across all three governance tiers simultaneously. Food inflation peaked at 38% year-on-year in early 2024 (IMF, 2024a), representing Nigeria's most acute immediate economic vulnerability and its most damaging social pressure point simultaneously. Agriculture employs over 35% of the national labour force and has the productive capacity to significantly contribute to non-oil export revenues if structural bottlenecks are systematically addressed (NBS, 2025; WFP, 2024).

At the federal level, the mission requires investment in irrigation infrastructure across four agricultural corridors: the Niger-Benue Basin, the North-West grain belt, the Middle Belt food zones, and the Niger Delta aquaculture belt, alongside security force deployment to protect farming communities from banditry and insurgent attacks, and the strategic management of national grain reserves. The IMF (2024a) directly attributed subdued agricultural output to security challenges in the Middle Belt and the consequent abandonment of farmland, establishing that addressing this nexus is not merely a developmental but a macroeconomic imperative. At the state level, mechanised farming cluster programmes, fertiliser and certified seed support, and investment in commodity storage facilities must be state-led and reflect the agricultural geography of each region. At the local government level, farm-to-market road maintenance, cooperative mobilisation, and community-based food bank systems represent the delivery interface with smallholder farmers. A doubling of food production within five years — achievable through the combination of irrigation investment, security improvement, mechanisation support, and value-chain development; would simultaneously reduce food inflation, improve rural incomes, and expand non-oil foreign exchange earnings.

4.2 Phase II (2027–2030): Industrial and Infrastructure Expansion

4.2.1 Power Sector Industrial Revolution

There is no strategic objective in Nigeria's transformation agenda that is more foundational than resolving the electricity crisis. Nigeria currently generates approximately 4,500 MW of effective power for a population exceeding 220 million, representing less than a quarter of the estimated national demand of 40,000 MW, leaving over 50% of the population without grid access (Alabi et al., 2023). Studies consistently estimate that energy-related constraints impose annual GDP losses of five to seven per cent, approximately US$25–29 billion, through reduced industrial output, elevated generator operating costs, and suppressed investment (UNDP, 2025). A World Bank (2023) assessment identified power unreliability as the most critical constraint to private sector growth across

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Sub-Saharan Africa, and Nigeria-specific enterprise surveys confirm that over 80% of firms regard electricity supply as a major or very severe obstacle to operations (World Bank, 2023). Gold et al. (2024) establish statistically significant empirical relationships between electricity supply and manufacturing sector performance over multiple decades, while Adeleke et al. (2024), in a *Sustainability* journal article, document how systemic electricity deficits, attributed to inadequate funding, infrastructural decay, corruption, technical skill shortages, and macroeconomic instability, persistently constrain the effective harnessing of Nigeria's abundant energy resources. The World Bank (2021) further demonstrates that electricity insecurity directly reduces firm-level productivity and sales.

The Electricity Act 2023 provides an enabling legislative framework for the decentralisation of electricity market governance to the state level, the creation of competitive generation markets, and the participation of independent power producers in both grid-connected and off-grid generation (UNDP, 2025). A credible power sector transformation strategy requires the privatisation of underperforming electricity distribution companies (DISCOs), regionalisation of power markets, expansion of gas-to-power infrastructure, encouragement of solar mini-grids in rural and peri-urban areas, and the creation of industrial captive power zones. The Nigeria-MLGF assigns the federal government responsibility for the national transmission grid, now administered by the newly created Nigeria Independent System Operator (NISO), and for establishing regulatory minimum standards and investment incentive frameworks. States are assigned responsibility for distribution franchise reform, regional mini-grid licensing, and the development of industrial power corridors aligned with their comparative advantages: the Lagos-Ogun manufacturing belt, the Aba-Onitsha industrial cluster, the Kano-Kaduna textile corridor, the Port Harcourt petrochemical zone, and the Benin-Warri energy corridor. Local governments should facilitate access to land for solar mini-grid installations and the formation of community energy cooperatives. The national target of 40,000 MW by 2035 represents an ambitious but achievable objective, contingent on sustained regulatory reform, private-sector investment mobilisation, and the resolution of the chronic tariff shortfall that, as documented by the World Bank (2021), exceeded the entire federal health budget as early as 2019. The AfDB's Country Strategy Paper (2025–2030) commits US$2.95 billion over four years to Nigeria, with energy infrastructure as a central pillar, complemented by an estimated US$3.21 billion in partner co-financing (AfDB, 2025b). Capturing this funding pipeline requires the federal government to demonstrate regulatory consistency, tariff cost-reflectiveness, and sub-national implementation capacity, precisely the institutional development priorities that the Nigeria-MLGF is structured to advance.

4.2.2 National Manufacturing and Export Plan

Nigeria's transition from an import-consumption economy to an export-production economy is the central industrial policy challenge of Phase II. Adeyemi and Ogun (2023) identify diversification toward industrialisation as the most sustainable pathway to economic resilience, while Cherif et al. (2022) establish the conceptual framework for industrial policy in diversifying economies. Effiong (2022) demonstrates, using ARDL modelling, that fiscal policy interventions, including strategic tax incentives and targeted public expenditure on industrial infrastructure, have significant long-run effects on manufacturing sector performance in Nigeria. The framework requires a deliberate industrial policy that leverages the country's factor endowments, hydrocarbon feedstocks, agricultural raw materials, a large domestic market, and a young labour force, while progressively building technological and managerial capabilities across priority value chains. Priority sectors include petrochemicals, fertilisers, pharmaceuticals, textiles, automotive assembly, agro-processing, steel and aluminium fabrication, and digital services exports, all areas where Nigeria possesses raw material inputs or labour cost advantages that, under appropriate policy conditions, could generate globally competitive production capacity.

Policy instruments for industrial promotion should include export processing zones with competitive fiscal regimes and simplified regulatory environments; single-digit industrial credit facilities through the Development Bank of Nigeria and the Bank of Industry; tax holidays conditioned on measurable export performance; local content enforcement in oil and gas and government procurement; and strategic import tariffs on products where domestic production capacity exists or can be rapidly developed. The export trajectory target, growing non-oil exports from under US$10 billion to US$50 billion by 2030 and US$150 billion by 2035, is ambitious but contextualised by the fact that Nigeria's non-oil exports already grew by 65% in Q1 2025 (The Guardian, 2025), suggesting that the reform-driven improvement in macroeconomic fundamentals has created a genuinely more conducive environment for export-oriented production. The emergence of the Dangote Petroleum Refinery opens transformative opportunities for petrochemical exports and for reducing domestic energy costs. The multi-level dimension of manufacturing policy is equally critical: state governments must compete to attract industrial clusters through business environment reform, industrial estate development, and skills infrastructure investment, while local governments facilitate land acquisition, community engagement, and basic service provision.

4.2.3 Logistics, Transport, and Productive Connectivity

Nigeria's logistics costs are among the highest on the continent, representing a structural tax on industrial competitiveness. Poor road infrastructure, inadequate freight rail capacity, port congestion, and inefficient customs administration add substantially to the cost of production and export, reducing the price-competitiveness of Nigerian-manufactured goods in both domestic and international markets. A credible national logistics transformation strategy requires investment in modern freight rail corridors, particularly the Lagos-Kano industrial route and the Port

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Harcourt-Maiduguri trade corridor, deep seaport modernisation and capacity expansion, development of inland dry ports, national trucking fleet modernisation, and smart customs digitisation. The Nigeria-MLGF assigns the federal government responsibility for trunk infrastructure, the Lagos-Kano rail industrial corridor, Port Harcourt-Maiduguri trade route, and deepwater port capacity expansion, while states manage secondary road networks and inland dry port development, and local governments maintain rural access roads connecting farming communities to aggregation points and market centres. The objective of reducing national logistics costs by 40% by 2030 would directly improve the price competitiveness of Nigerian manufacturers and agro-processors in regional and global markets, with positive spillover effects on inflation through reduced food transportation costs.

4.2.4 Agricultural Value Chain Transformation

Agriculture employs approximately 35% of Nigeria's workforce and represents the fastest pathway to mass employment, food affordability, rural stability, and poverty reduction. A transformative agricultural strategy for Phase II must extend beyond food production to encompass the full value chain, including agro-industrial processing zones near production centres covering rice milling, cassava processing, cocoa value addition, palm oil refining, dairy production, fish processing, and fruit preservation. Such value chain deepening would simultaneously reduce post-harvest losses, currently estimated at 20–40% of production in many food categories, reduce rural unemployment, and diminish food import dependence. The One Local Government, One Product (OLOP) initiative, which directs each local government to develop commercial expertise in a specific agricultural or artisanal product, provides an institutional mechanism for distributed rural economic development that directly operationalises the local government tier's role within the Nigeria-MLGF.

4.3 Phase III (2030–2035): High-Growth Knowledge Economy Transition

4.3.1 Digital Economy and Innovation Strategy

Nigeria's digital economy represents the country's most significant structural opportunity to accelerate non-oil GDP growth, absorb youth into the workforce, and diversify high-value exports. Nigeria leads Sub-Saharan Africa's fintech sector, accounting for 28% of all fintech companies on the continent, and five of Africa's eleven digital unicorns are Nigerian enterprises (Wikipedia, 2025). The AfDB's former president, Dr Akinwumi Adesina, projected that Africa's digital economy would expand from US$115 billion to US$712 billion by 2050, with Nigeria, South Africa, Kenya, and Egypt as primary growth engines (AfDB, 2023). Nigeria's demographic dividend, with a median age of 18.1 years and the world's fifth-largest youth population, represents its greatest asset for a knowledge-economy transition.

The federal government's i-DICE programme, supported by US$618 million from the AfDB and development partners, provides a platform for scaling the digital and creative economy ecosystem (AfDB, 2023). The AfDB's Digital Value Chain Infrastructure Project (D-VIBE), approved in March 2026 with US$200 million, extends Nigeria's fibre broadband backbone and is expected to close connectivity gaps, support productivity, and create employment, directly addressing the infrastructure precondition for scaling the digital economy (AfDB, 2026). The IMF (2024b) has consistently highlighted digitisation as central to improving Nigeria's fiscal management, while the AfDB (2025) recommends enhancing tax administration through digitalisation as a core domestic resource mobilisation strategy. The Nigeria-MLGF assigns federal responsibility for regulatory framework development, spectrum management, and national cybersecurity architecture; state responsibility for digital skills training centres and technology innovation hubs; and local government responsibility for digital literacy programme delivery and community-level connectivity facilitation. Strategic digital economy sectors with the highest employment and export potential include fintech, artificial intelligence services, cybersecurity, cloud computing infrastructure, digital education exports, gaming, and creative industry platforms. The target of 10 million technology-sector jobs by 2035, while ambitious, is consistent with Nigeria's demographic and broader African digital-economy trajectories.

4.3.2 Human Capital Revolution

There is no trajectory of sustained economic transformation that is achievable without commensurate investment in human capital. Nigeria's human capital index, at 0.36 on the World Bank's scale, where 1.0 represents full potential, reflects decades of underinvestment in the quality of education and the capacity of the health system (World Bank, 2019). The country ranks 163rd of 193 nations on the UNDP Human Development Index (2023), with a life expectancy of 56 years and literacy levels of approximately 62% (NBS, 2024). The Nigeria-MLGF assigns federal government responsibility for curriculum reform, STEM education funding, tertiary research infrastructure, and the national health insurance framework; states for technical and vocational education institution management, teacher development, and primary healthcare facility operation; and local governments for school infrastructure maintenance, community health worker deployment, and adult literacy programme management.

Education reforms must prioritise STEM-focused curriculum development, the expansion of technical and vocational colleges, the integration of digital literacy from primary school, industry-university linkages, and entrepreneurship education. Healthcare reforms should focus on universal health insurance expansion, domestic pharmaceutical manufacturing, reducing import dependence for essential medicines, leveraging Nigeria's feedstock advantages and substantial import substitution potential, telemedicine expansion to underserved communities, and primary healthcare modernisation. The AfDB's Country Strategy Paper (2025–2030) specifically targets gender- and youth-inclusive green industrialisation as a strategic priority, providing an international partnership platform for human capital development initiatives aligned with the Nigeria-MLGF

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(AfDB, 2025b). The central conceptual premise, that healthy, educated citizens are more productive citizens, is empirically well-established and has strong institutional support from both the World Bank (2025) and the AfDB (2025).

4.3.3 Oil and Gas Value Chain Deepening

Nigeria's historical export of predominantly crude oil represents a massive value-chain truncation. Even as Nigeria diversifies its economic base, the oil and gas sector will remain a significant source of revenue and industrial inputs for the foreseeable future. The strategic imperative, however, is to build a domestic downstream petrochemical industry capable of producing substantially higher-value-added products. The commissioning of the Dangote Petroleum Refinery, with a nameplate capacity of 650,000 barrels per day, represents the most significant development in this regard, with the IMF (2025b) projecting that the refinery's contribution will support GDP growth and potentially reduce domestic fuel prices over the medium term. Priority downstream areas include petrochemicals, fertilisers, plastics, methanol, and LNG expansion. Building on this foundation, a strategic petrochemical corridor linking the refinery to downstream processing industries could generate hundreds of thousands of direct and indirect industrial jobs. The Nigeria-MLGF assigns federal government responsibility for the fiscal and regulatory framework governing downstream investments, while private sector actors, supported by public-private partnership structures and development finance, lead investment and operational management. The progressive substitution of crude oil exports with value-added refined and industrial products is not merely a petroleum policy but a core element of the broader industrial transformation agenda.

4.3.4 Governance and Institutional Reforms

The transformation of Nigeria's economic system ultimately depends on the quality of governance. The AfDB (2025) has explicitly identified institutional capital, alongside fiscal, financial, human, natural, and business capital, as a critical determinant of development outcomes. Radical public sector reform must encompass the full digitisation of government payments to reduce leakages and improve efficiency, biometric payroll cleanup to eliminate ghost workers, performance-based budgeting, rationalisation of redundant agencies, and fiscal transparency dashboards. Tax reform must broaden the base rather than intensify taxation of the formal sector: priority areas include property taxation, luxury taxes, mining royalties, and taxation of the digital economy. Nigeria's tax-to-GDP ratio of 9.4% in 2023 (IMF, 2024a) is among the lowest globally; the Presidential Fiscal Policy and Tax Reforms Committee has mandated raising it to 18% of GDP over five years, which would generate transformative fiscal space for development investment (IMF, 2024b). Acemoglu and Robinson (2012) locate sustained economic success specifically in the quality of inclusive political and economic institutions, arguing that extractive institutions systematically divert rents from productive use, a warning directly applicable to Nigeria's governance reform imperative.

5 MULTI-LEVEL GOVERNANCE ARCHITECTURE, INSTITUTIONAL FRAMEWORK, FINANCING, AND PERFORMANCE MANAGEMENT

A central argument of this paper is that Nigeria's economic transformation cannot be driven solely from Abuja. The federal system, constitutionally distributing powers and revenue responsibilities across three tiers, provides the structural foundation for a differentiated, multi-level implementation architecture. The historical pattern of centralised economic planning in Nigeria has consistently underdelivered on both economic and social objectives, partly because of the mismatch between national policy ambitions and subnational implementation capacity (Bahl & Martinez-Vazquez, 2006). The effectiveness of the Nigeria-MLGF, therefore, depends critically on both its institutional superstructure and its financing architecture, operating in concert across all three governance tiers.

5.1 Apex Institutional Architecture: The National Economic Transformation Council

At the apex of the Nigeria-MLGF, a National Economic Transformation Council (NETC), chaired by the President and including state governors, ministers, private sector leaders, development finance representatives, labour unions, youth representatives, and civil society voices, should function as a permanent inter-governmental coordination body. The NETC would review transformation targets quarterly, monitor implementation trajectories, resolve policy conflicts between governance tiers, and coordinate the alignment of international development partner financing with national priorities. The African Development Bank's Country Strategy Paper (2025–2030) provides a natural framework for structuring these partnerships, given the AfDB's US$2.95 billion four-year financing commitment and its articulation of two strategic pillars aligned with the Nigeria-MLGF's objectives (AfDB, 2025b).

Below the NETC, Regional Economic Development Councils (REDCs) should operationalise geographically differentiated development strategies, capitalising on the natural economic complementarities between adjacent states. The South-West Industrial Corridor, the North-West Agricultural Belt, and the South-South Energy Corridor represent the most immediately viable regional economic architectures, leveraging economies of scale in infrastructure investment and regional specialisation in value chain development. These REDCs operationalise existing constitutional provisions for regional cooperation, coordinating the South-West industrial corridor, the North-West agricultural belt, the South-South energy corridor, and other regional economic specialisations.

5.2 Federal Government: Strategic Direction, Stability, and National Infrastructure

The Federal Government's primary economic role within the Nigeria-MLGF should be macroeconomic management, national infrastructure investment, strategic industrial policy, and enabling regulatory frameworks. Specifically, this encompasses: inflation management and fiscal discipline

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through the CBN and the Federal Ministry of Finance; national infrastructure backbone investments in rail, power transmission, digital connectivity, and deep seaports; industrial policy instruments including export incentives, tariff policy, trade diplomacy, local content legislation, and export processing zones; national agricultural transformation programmes including large-scale irrigation, strategic grain reserves, commodity exchanges, and agricultural financing guarantees; and national social protection architecture including poverty databases, conditional cash transfers, and healthcare insurance expansion.

Critically, the Federal Government should shift its orientation from direct economic control to coordination, standard-setting, incentive design, and strategic investment, enabling subnational entrepreneurialism rather than centralising it. This reorientation is consistent with Bahl and Martinez-Vazquez's (2006) finding that aligning fiscal decentralisation with clearly defined expenditure responsibilities is a critical determinant of subnational government effectiveness, and with Abdullahi et al.'s (2020) demonstration that expenditure decentralisation promotes development outcomes in Nigeria.

5.3 State Governments: Regional Economic Development Engines

State governments should develop individual State Economic Competitiveness Strategies that identify three to five economic sectors of comparative advantage aligned with each state's resource endowment, geographic location, and existing productive capacity. This would prevent the duplication of industrial investments across states while enabling specialisation that creates regional value chains and export opportunities. Oil-producing states should develop petrochemical and marine economy clusters; northern states should lead in grains, livestock, and textiles; south-western states should leverage technology, finance, and manufacturing; south-eastern states should build on their traditional strengths in trade, MSME manufacturing, and artisanal industries; and Middle Belt states should focus on agriculture and minerals.

The State-level responsibilities should include industrial park development, with states acquiring land, constructing internal roads, facilitating electricity partnerships, and streamlining permits; technical education alignment toward industrial needs; state-level agricultural value chain coordination; and investment facilitation through transparent taxation, land digitisation, and reduced bureaucracy. The competition among states for investment, when structured around genuine improvements in the business environment rather than subsidy races, can be a powerful mechanism for institutional improvement and economic dynamism. The Nigeria-MLGF further assigns states responsibility for distribution franchise reform, regional mini-grid licensing, digital skills training centres, technology innovation hubs, technical and vocational education institution management, teacher development, and primary healthcare facility operation.

5.4 Local Governments: Grassroots Productivity and Community Development

The Local governments, constitutionally the third tier of Nigeria's federal structure but historically the weakest in terms of institutional capacity, accountability, and development impact, must be reinvented as grassroots productivity centres. This requires significant structural reform, including direct allocation of sufficient financial resources, enhanced accountability mechanisms, and clear performance mandates. Recent scholarship emphasises that grassroots productivity and community development require active local government engagement beyond revenue receipt, necessitating capacity building, accountability mechanisms, and performance-based incentives (Adedeji, 2022).

The Core local government responsibilities within the transformation framework include: community economic mapping to identify local assets, skills gaps, and productive opportunities; rural infrastructure management covering feeder roads, markets, water supply, storage facilities, and sanitation; cooperative development support for farmer groups, artisan cooperatives, women's enterprises, and youth business associations; primary healthcare and education delivery; school infrastructure maintenance; community health worker deployment; adult literacy programme management; digital literacy programme delivery and community-level connectivity facilitation; and community security partnerships including local policing coordination and farmer-herder conflict mediation. Local governments should also facilitate land access for solar mini-grid installations and the formation of community energy cooperatives and serve as the primary delivery interface with smallholder farmers through farm-to-market road maintenance and community-based food bank systems.

5.5 Financing the Transformation

Nigeria's annual development financing gap has been estimated at $31.5 billion by the AfDB (2025). Closing this gap requires a diversified financing architecture that simultaneously draws on domestic resource mobilisation, development finance, private capital, and diaspora investment. The challenge, as the AfDB (2025) correctly identifies, is less a problem of absolute resource unavailability and more one of governance, prioritisation, and execution discipline.

Domestic resource mobilisation is the foundation of sustainable development financing. The IMF (2024a) has consistently emphasised that Nigeria's tax-to-GDP ratio, one of the world's lowest, requires urgent remediation through tax base broadening, enhanced compliance, and digital tax administration. The Presidential Fiscal Policy and Tax Reforms Committee's mandate to raise revenue collection to 18% of GDP over five years, if achieved, would generate approximately $50–70 billion in additional annual revenue at current GDP levels. Nigeria's tax-to-GDP ratio of approximately 13% remains significantly below the 20% benchmark considered necessary for adequate developmental financing (AfDB, 2025a). However, the four tax reform bills passed in 2024 provide a legislative foundation for progressive improvement. Implementation intensity and

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public trust in revenue utilisation will determine the pace of that improvement. Digital tax compliance enhancement, building on the CBN's cashless policy and the Federal Inland Revenue Service's expanded taxpayer registration exercise, offers substantial additional revenue mobilisation potential. Supplementary domestic financing instruments include sovereign infrastructure bonds, pension fund investments in infrastructure (Nigeria's pension assets exceeded ₦17 trillion in 2024), and asset recycling strategies that monetise government-owned infrastructure to fund new investments.

The International development finance, from the World Bank, AfDB, IMF, the Development Finance Institutions of major bilateral partners, and multilateral climate finance mechanisms, provides an important complement to domestic resources, particularly for large-scale infrastructure and social protection investments. The AfDB's current portfolio of 52 active operations in Nigeria, valued at US$5 billion, including 26 private sector operations valued at US$1.8 billion, demonstrates the scale of international development finance that a coherent national transformation framework can attract (AfDB, 2025a). Nigeria's successful re-entry into the Eurobond market in 2024, following successful reform implementation, demonstrates that improved macroeconomic fundamentals have expanded the country's access to external capital markets, albeit at rates that reflect the remaining risk premium.

The Public-private partnerships (PPPs), structured around clearly defined risk-sharing arrangements and transparent contractual frameworks, offer a mechanism for mobilising private capital for infrastructure with limited fiscal impact. Diaspora investment, Nigeria's diaspora remittances, which exceeded $20 billion annually in recent years, can be channelled through dedicated diaspora bonds and investment vehicles targeting specific infrastructure and productive sectors. The Nigeria-MLGF financing architecture additionally draws on state-level internally generated revenue enhancement, local government statutory allocations supplemented by community cooperative financing, and official development assistance coordinated through the NETC framework.

A Subsidy Savings Regime, transparently allocating the fiscal savings from petroleum subsidy removal, with suggested proportions of 60% to infrastructure, 25% to social sectors, and 15% to the power sector, backed by public reporting, would significantly enhance reform accountability and public trust in the overall financing framework (Pan African Review, 2026).

5.6 Digital Governance and Performance Management

Effective performance management of a multi-level transformation framework requires real-time data infrastructure and robust accountability mechanisms. A National Performance Management System, disaggregated by governance tier, should establish measurable scorecards tracking: federal-level indicators including inflation, GDP growth, exports, power generation, and debt management; state-level indicators including job creation, investment inflows, school enrolment, industrial output, and ease of doing business; and local government indicators including rural road conditions, farm productivity, healthcare coverage, cooperative formation, and sanitation access.

The Digital governance reforms, encompassing digital procurement systems, biometric payroll administration, project-tracking dashboards, public expenditure transparency portals, and digital land registries, are essential both for performance accountability and for reducing corruption leakages that have historically dissipated public investment returns in Nigeria. The AfDB (2025) has explicitly identified institutional capital as a critical determinant of development outcomes, reinforcing the case for embedding governance quality as a monitored performance dimension within the Nigeria-MLGF scorecard system. The full digitisation of government payments, biometric payroll cleanup to eliminate ghost workers, performance-based budgeting, and rationalisation of redundant agencies represent the operational governance reforms that must underpin the transformation framework's credibility and public legitimacy.

6 DISCUSSION: POLICY IMPLICATIONS AND SCHOLARLY CONTRIBUTIONS

6.1 Theoretical Contributions

The Nigeria-MLGF advances a paradigm that has been largely absent from Nigeria's policy discourse: the systematic integration of macroeconomic stabilisation, social protection, industrial transformation, and institutional governance reform within a coherent, territorially differentiated, multi-level architecture. The existing literature on Nigerian economic policy has tended to treat these as separate domains: monetary economists analyse the FX regime, political scientists analyse federalism, energy engineers analyse power sector reform, producing policy recommendations that optimise within silos rather than across systems. The contribution of this paper is precisely to transcend these silos by demonstrating their deep institutional interdependence.

This paper makes several specific contributions to the literature on economic reform, development policy, and governance in sub-Saharan Africa. First, it provides one of the most systematic assessments to date of the Tinubunomics reform agenda, integrating evidence from the IMF, World Bank, AfDB, and NBS into a coherent analytical narrative that captures both the macroeconomic achievements and the substantial social costs of the stabilisation phase. Second, it develops a theoretically grounded, phased transformation framework that extends beyond the stabilisation horizon, addressing the critical gap between short-term macroeconomic adjustment and long-term structural transformation identified by Rodrik (2006), Cherif et al. (2022), and Delechat et al. (2024). Third, it makes a novel contribution to the literature on multi-level governance in Nigerian federalism by constructing a differentiated implementation architecture that assigns specific, operationalisable responsibilities to federal, state, and local

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governments within the transformation agenda, operationalising MLG theory in a context far removed from its European institutional origins.

The theoretical extension of MLG scholarship to the Nigerian context, and more broadly to large, heterogeneous, resource-dependent African economies, merits particular scholarly attention. MLG theory was developed primarily in the context of the European Union's supranational governance architecture and advanced liberal democracies with high state capacity (Marks, 1993; Bache & Flinders, 2004). Its application in contexts of weak institutional capacity, significant informality, security fragility, and limited sub-national fiscal autonomy requires substantial theoretical adaptation. This paper's demonstration that MLG principles, vertical coordination, horizontal integration of non-state actors, and territorial subsidiarity are both analytically applicable and institutionally achievable in the Nigerian context contributes to the broader literature on governance theory in the Global South, extending the framework's analytical utility beyond the advanced economies in which it was originally elaborated.

6.2 Policy Implications

The principal policy implications of this analysis are fivefold, spanning social protection, energy, subnational governance, human capital, and security, each identified as a binding constraint on Nigeria's transition from stabilisation to productive prosperity.

First, the Tinubu administration must urgently accelerate the delivery of social protection programmes. The implementation gap between programme design and delivery represents the greatest threat to reform sustainability and the most immediate political economy vulnerability of the transformation agenda. Reaching the full 15 million cash transfer households, operationalising the National Food Security Mission, and deploying transport subsidy instruments for low-income workers are not peripheral humanitarian concerns but core political economy imperatives for reform consolidation. The political economy lesson from Nigeria's own history, the 2011–2012 fuel price reversal, and from comparative international experience, including Indonesia's successful phased subsidy reform, which combined price increases with targeted compensation, is unambiguous: compensatory social protection is not a discretionary add-on to economic reform but a necessary precondition for its political durability (Rodrik, 1996). As Rodrik (2006) observed in the broader development literature, what separates successful from unsuccessful reformers is not the boldness of their macroeconomic reforms but the quality of their growth strategies, and growth strategies that fail to address distributional justice eventually unravel.

Second, the power sector must be treated as a national security and industrial priority of the highest order. Nigeria's manufacturing competitiveness is fundamentally constrained by electricity insecurity, and no industrial transformation is achievable without a credible, time-bound programme to expand electricity supply to industrial consumers. The evidence from Gold et al. (2024), the World Bank (2021), and Alabi et al. (2023) converges on this conclusion with considerable empirical force, establishing that energy insecurity directly suppresses firm-level productivity, sales, and investment, making power sector reform simultaneously an industrial policy imperative and a macroeconomic stabilisation tool.

Third, state and local governments must be invested with both the resources and the accountability structures to become genuine engines of subnational economic development. The current configuration, in which local governments receive statutory allocations but lack the institutional capacity, autonomy, or accountability to translate these resources into development outcomes, must be reformed through capacity-building, fiscal decentralisation, and performance management systems. Abdullahi et al.'s (2020) finding that expenditure decentralisation promotes development outcomes in Nigeria provides the empirical foundation for this reorientation, while Adedeji's (2022) emphasis on performance-based incentives for local governments provides the accountability framework. The competition among states for investment, when structured around genuine improvements in the business environment rather than subsidy races, provides a powerful mechanism for institutional improvement and economic dynamism that the Nigeria-MLGF is explicitly designed to catalyse.

Fourth, human capital investment must be dramatically scaled up with transformational urgency. Nigeria's productivity deficit, reflected in low educational attainment, inadequate technical skills, and poor health outcomes, is a binding constraint on industrial transformation. The IMF (2025a) has specifically highlighted the need to strengthen human capital as a medium- to long-term priority alongside institutions, infrastructure, and economic diversification. The World Bank's (2019) human capital index score of 0.36 for Nigeria encapsulates the depth of this challenge and the scale of the investment required, encompassing STEM education, technical and vocational training, primary healthcare modernisation, universal health insurance, and domestic pharmaceutical manufacturing, all within the differentiated federal-state-local delivery architecture advanced in this paper.

Fifth, security, particularly in agricultural zones, transport corridors, and oil infrastructure, must be reconceptualised as economic infrastructure rather than merely a law enforcement challenge. The IMF (2024a) directly attributed Nigeria's subdued agricultural performance to security challenges in the Middle Belt and North-West farming regions, and the AfDB (2025) identified security as a key determinant of the country's ability to realise its productive potential. Insecurity imposes direct costs, through farm abandonment, transport disruption, and supply chain fragmentation, that are macroeconomically material and cannot be fully offset by monetary or fiscal reform. A whole-of-government security strategy, coordinated across all three governance tiers through the NETC framework, is therefore an integral component of the Nigeria-MLGF rather than a parallel concern.

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6.3 The Role of the Private Sector

The role of the private sector in the Nigeria-MLGF warrants explicit emphasis. Government cannot create prosperity alone. The framework assigns private-sector leadership in investment, innovation, manufacturing, exports, technology development, and logistics, with government functioning as an enabler, regulator, protector, and catalyst rather than a producer. Attracting and retaining private investment, domestic and foreign, requires regulatory predictability, infrastructure reliability, security assurance, and institutional trustworthiness, which the governance reforms proposed in this paper are designed to provide.

The Nigeria's five fintech unicorns, its Nollywood film industry, its agricultural commodity potential, and its demographic youth dividend are all expressions of private entrepreneurial energy that appropriate governance frameworks can catalyse into transformative national productivity. The AfDB's current portfolio of 52 active operations in Nigeria, including 26 private-sector operations valued at US$1.8 billion (AfDB, 2025a), demonstrates that international development finance is already positioned to complement domestic private-sector investment when governance conditions support it. The Nigeria-MLGF's institutional architecture, from the NETC at the apex to community cooperative frameworks at the local government level, is explicitly designed to create the enabling environment in which private entrepreneurial energy can be systematically mobilised for national productive transformation.

7 CONCLUSION

Nigeria stands at the most consequential developmental crossroads in its post-independence history, a critical inflexion points at which the choices made in the immediate reform horizon will determine the country's development trajectory for a generation. The Tinubu administration's stabilisation reforms have been economically necessary and have achieved meaningful and internationally acknowledged macroeconomic results: fiscal consolidation, foreign exchange market normalisation, monetary credibility restoration, investor confidence recovery, improved external balances, and the creation of a macroeconomic foundation upon which productive transformation can be built, achievements recognised by the IMF (2025b), the World Bank (2025), and the AfDB (2025). However, the evidence reviewed in this paper establishes with equal clarity that stabilisation alone, however technically sound and macroeconomically necessary, is not transformation, and will not reduce Nigeria's multidimensional poverty, absorb its youth demographic surplus, build its industrial base, or deliver the inclusive prosperity that legitimises economic reform and sustains political support for it.

The Nigeria's 220 million citizens, 63% of whom live below the national poverty line, approximately 133 million of whom experience multidimensional poverty, 31 million of whom face acute food insecurity, and 3.5 million of whom enter the labour force annually without commensurate productive employment opportunities, require not merely a stable macroeconomic environment but a structurally transformed productive economy that generates rising incomes, expanding employment, and broadly shared prosperity. Stabilisation is the necessary precondition; transformation is the indispensable destination.

The Multi-Level Governance Framework advanced in this paper, the Nigeria-MLGF, provides a theoretically grounded, institutionally operationalisable architecture for organising Nigeria's transition from stabilisation to productive prosperity across a three-phase roadmap spanning 2026 to 2035: stabilisation consolidation (2026–2027), industrial and infrastructure expansion (2027–2030), and knowledge-economy transition (2030–2035). The framework's central contribution is its insistence on vertical governance coherence, assigning each tier of government distinct, complementary, and accountable roles within a unified national development strategy, and its integration of macroeconomic management, social protection, industrial transformation, energy reform, agricultural modernisation, digital economy development, and human capital investment within a single coordinated architecture. This integration transcends the policy silos that have historically fragmented Nigeria's reform efforts, demonstrating the deep institutional interdependence of domains that scholarship and policymaking have too often treated as separate.

The success of this transformation roadmap depends critically on three non-negotiable conditions. First, the rapid scaling-up of social protection to maintain popular support for reform and prevent the political reversal that has historically undermined Nigeria's adjustment programmes, from the SAP era of the 1980s and 1990s to the 2011–2012 fuel price protests. Second, the genuine empowerment of state and local governments as development actors within a cooperative federal architecture, moving decisively from the current centralised model toward a genuinely differentiated, accountability-driven multi-level system in which subnational governments possess the resources, capacity, and mandate to translate national policy ambitions into local development outcomes. Third, the unwavering institutional commitment to consistent policy implementation over a decade-long horizon, recognising that structural economic transformation is not achievable within a single electoral cycle and that the credibility of the framework depends on policy continuity across administrations.

Future research should empirically test the governance coordination propositions advanced in this paper through inter-governmental fiscal flow analysis, sub-national performance benchmarking, and comparative analysis with analogous multi-level governance experiments in large African economies. The growing availability of sub-national economic data from the NBS, CBN, and state-level statistical agencies provides a progressively stronger empirical foundation for such analysis, and the 2026–2035 transformation period itself will generate a rich natural experiment in multi-level governance effectiveness that future scholarship can systematically interrogate.

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If Nigeria successfully achieves this second-phase transition, the country possesses the demographic scale, natural resource endowment, entrepreneurial talent, digital innovation capacity, and geographic position to emerge as Africa's largest industrial economy, a continental food and energy hub, and one of the world's most consequential emerging markets by the mid-2030s. Nigeria's economic transformation is not merely a national imperative; it is a continental one. As Africa's most populous nation and largest economy, Nigeria's success or failure in translating macroeconomic stabilisation into productive prosperity will shape the African continent's development trajectory for a generation. If the transformation fails, if stabilisation gains are dissipated by implementation failures, social unrest, or political reversal, the costs will be borne most heavily by the 133 million Nigerians who today live in multidimensional poverty. The stakes could not be higher, and the window of reform opportunity, once closed, may not reopen for a generation.

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