OUTLOOK FOR THE NONPROFIT SECTOR Y2023

Our 2023 outlook focuses on economic and regulatory trends that we think will impact the operations of nonprofit organisations in Nigeria. They are forward looking opinions derived from trends, realities, expertise, and experiences of sector leaders. They are based on current performance, sector and wider economic cycle, historical performances founded on normal business and likelihood projections based on information including feedbacks from our membership, consistent enough to form an opinion. The outlook is provided for planning purposes only. NNNGO does not represent or warrant that the report or any of its content will meet any of the requirements of a recipient of the report.

High Inflation and Our Sector

Increase in the Cost of Operation

With the growing inflation rate experienced by Nigeria and indeed the world, we expect this to put pressure on the operational cost, volunteers, and beneficiaries of the nonprofit sector. The anticipated increase in the price of petrol would lead to higher running costs for nonprofits using diesel and petrol to power their offices and facilities. This will further lead to increased cost (transportation) for beneficiaries accessing the services of nonprofits including staff and volunteers driving to work or using public transport.

Increase in Demand for Nonprofit Services


Following the present poverty figures, we see an increase in the number of people turning to nonprofit organisations for support.

133million
Nigerians now live in multidimensional poverty

Source: National Bureau of Statistics
https://www.nigeriapovertymap.com

Donation Cutback and Denials

The subsidy on fuel is expected to be removed in 2023. Majority of Presidential candidates seem to be in support of subsidy removal. An increase in the price of fuel is expected to have dramatic impact on the cost of living hence individual giving will receive a hit as people and philanthropist giving to small
and medium-sized nonprofits may cut back. As inflation and cost of living affects their disposable income, denials/reductions and increased cutbacks are expected including shifts in giving priorities.

Impact of on Multiyear Funding

In a report by Reuters released in December 2022, the current inflation rate stands at 21.47% and is expected to remain in “double digits averaging 17.6%” in 2023. These numbers imply that multi-layer funding for nonprofit organizations will be affected; for example, a three-year $100,000 awarded in 2022 will be worth between $82,400 and $78,530 in 2023 and less in 2024 based on current projections. https://www.reuters.com/world/africa/nigerias-inflation-quickens-2147-november-2022-12-15/

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Cost of Food Prices

Nonprofits providing food relief for the vulnerable will be affected by the rising costs of food prices. Shelters and orphanages will especially witness increase in the price of effects for children such as beverages, diapers etc.

Staff Costs and Volunteering

Nonprofits make use of volunteers to deliver their vision and mission; some who pay, offer low or discounted salaries compared to the same roles in other sectors for example, anecdotally, Executive Directors in a nonprofit earn about 30–50% lower than their peers in the private sector doing similar jobs. We anticipate that nonprofit staff and volunteers will struggle with the cost of living and could lead to difficulties in managing expectations thereby putting pressure on the altruistic reasons for working in the nonprofit sector. We expect more nonprofit staff and volunteers moving out of the sector to other sectors of the economy.

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Regulatory Trends to Watch

**Anti-Money Laundering and Countering of Terrorism Financing Regulations**

We expect new regulation and directives around anti-money laundering of terrorism financing for the nonprofit sector. This is expected to change the regulatory landscape for how nonprofits operate.

**VAPP and Sub-national Regulations**

Violence Against Persons Prohibitions (VAPP) Act and subnational VI regulations: 34 states have since passed this law. Civil society organizations working with women and in the field of Gender-Based Violence (GBV) should study the VAPP laws in their states of operation as there are provisions that could impact on their activities in terms of consent and approval from state officials.

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https://www.partnersnigeria.org/vapp-tracker/

**Companies and Allied Matters Act (CAMA)**

The current regulatory environment under CAMA has room for improvement. In our view, the regulatory proposals and their implementation may affect the lives of beneficiaries and the cost borne by nonprofit to comply which will continue to impact on the ease of compliance owing to the burdens the regulation imposes on them. We are particularly concerned that many nonprofits may not be able to comply.

For example, the inability of nonprofits to open and operate a bank account will affect their ability to comply with CAMA regulations around bi-annual statement of affairs and filing of annual returns. Largely, this is impacted by their inability to register with the Special Control Unit on Money Laundering (SCUML) in real time. Current practices of comingle organizational funds (money) with that of the founder or promoters is also a factor to look out for and address.

**Advertising Regulatory Council of Nigeria Act, 2022.**

The interpretation of advertisement in the Act could have implications for civic space including nonprofit activities such as advocacy, campaigns and awareness.

The Act defines “advertisement” as a “notice, announcement, exposure, publication, broadcast, statement, announcorial, informercial, commercial, hype, display, town cry, show, event, logo, payoff or trademark to promote, advocate, solicit, show, endorse, vote or support a product, service, cause, idea, person or organisation with the intention to influence, sway, actuate, impress, arouse, patronise, entice or attract a person, people or organisation by an identified sponsor irrespective of media, medium or platform.”

This definition may impact civic space especially freedom of expression (access to information). For example does this mean putting an infographics on the 2023 budget with organisational logo on FB or Twitter is an advert? Or doing same for COVID 19? It is important that the sector seeks clarifications. Though the proponents of the law may not have civil society or nonprofit activities in mind when developing the law, it sure has implications for our sector.