

## AFRICA OIL+GAS REPORT

# Digital Supply-Chain Finance Proposed as Fix for Nigeria's Upstream Contractor Payment Crisis

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Nigeria's upstream oil and gas sector is facing a liquidity crisis that is increasingly disconnected from oil production itself. The core problem, as outlined in a recent analysis by Africa Oil+Gas Report, is the chronic failure to pay contractors and service companies on time — a structural dysfunction that is trapping billions of dollars in unpaid invoices and threatening the operational continuity of the sector. The argument put forward is that digital supply-chain finance platforms represent the fastest viable route out of this impasse.

The crisis has been building for years. International and local service companies operating in Nigeria's upstream space routinely wait six to eighteen months for payment on completed work. This is not merely an inconvenience — it erodes working capital, forces contractors to either exit the market or inflate future bids to cover financing costs, and ultimately raises the cost of doing business across the entire value chain. For operators, it creates a paradox: cost-reduction ambitions are undermined by the very payment practices that drive contractors to price in risk premiums.

Digital supply-chain finance, as proposed in the analysis, works by allowing contractors to access early payment on verified invoices through a fintech intermediary or bank, with the operator's credit rating — rather than the contractor's — underpinning the financing. This shifts the liquidity burden away from service companies and onto capital markets, where it can be more efficiently priced. The

technology layer enables real-time invoice verification, approval workflows, and financing disbursement at a speed that traditional banking infrastructure in Nigeria has historically been unable to match.

The broader investment climate context matters here. Nigeria remains Sub-Saharan Africa's largest oil producer, and the Petroleum Industry Act has introduced new fiscal and governance frameworks intended to attract capital back into the basin. However, the payment crisis acts as a practical deterrent that PIA reforms alone cannot resolve. If contractors cannot trust that completed work will be compensated within a commercially viable timeframe, project execution timelines slip, local content obligations become harder to meet, and international service companies recalibrate their risk appetite for Nigerian exposure.

For the solution to work at scale, adoption would need to involve the major operators — IOCs and increasingly the Nigerian National Petroleum Company Limited — as anchor obligors whose credit quality makes the financing attractive to capital providers. This is where the structural challenge lies: operators must be willing to formalise and digitise their payables processes, which requires both technological investment and organisational commitment. Several African markets, including Kenya and South Africa, have seen early-stage adoption of similar platforms in other sectors, suggesting a transferable model exists.

### **Why this matters to partners and clients of Saga**

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Norwegian service companies with active or planned exposure in Nigeria's upstream sector should monitor this closely, as resolution of the payment crisis directly affects their own receivables risk and bid pricing strategy. Companies already operating in Nigeria could explore early engagement with digital supply-chain finance platforms to shorten payment cycles without requiring renegotiation of contract terms. Those evaluating market entry should treat the payment environment as a material risk factor and assess whether platform-based liquidity tools are available through their banking partners.

## PARTNER ANGLES

- **Drilling:** Drilling contractors carrying large outstanding receivables in Nigeria should evaluate whether their operator counterparties are candidates for supply-chain finance platforms that could accelerate invoice settlement.
- **Subsea/FPSO:** Subsea and FPSO contractors executing long-cycle projects in Nigeria face the highest absolute liquidity exposure and stand to benefit most from invoice-backed early payment facilities.
- **Service:** Well services and maintenance companies operating on thin margins in Nigeria should factor payment cycle risk into contract negotiations and explore fintech-backed receivables solutions as a hedge.
- **Pipeline:** Pipeline contractors bidding on Nigerian midstream or export infrastructure work should price payment risk explicitly and investigate whether EPC contracts can be structured to include supply-chain finance provisions.

[Original source: Africa Oil+Gas Report →](#)

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