June 30, 2026 Vol. 12 No. 7 E-ISSN 3026-9350 P-ISSN 3027-1843

International Journal of

BUSINESS ECONOMICS & MANAGEMENT SCIENCE (IJBEMS)

www.harvardpublications.com

THE NIGERIAN FISCAL MATRIX (2023–2026): MACROECONOMIC VOLATILITY, INSTITUTIONAL INADEQUACIES, AND THE IMPERATIVE FOR STRUCTURAL TRANSPARENCY

M. A. ILLIASU; GODWIN AGABA OCHUBE; & UMAR YAKUBU PhD

Centre for Fiscal Transparency and Public Integrity

DOI: https://doi.org/10.70382/hijbems.v012i7.095

Abstract

This study evaluates the fiscal trajectory of the Federal Government of Nigeria across the 2023–2026 financial years, a period marked by unprecedented macroeconomic shocks and structural transitions. Following the removal of the Premium Motor Spirit (PMS) subsidy and the unification of foreign exchange windows in mid-2023, nominal revenues surged while paradoxically

Keywords: *Fiscal Policy; Public Financial Management; Budget Execution; Macroeconomic Stabilisation; Sovereign Debt; Procurement Integrity; Nigeria.*

INTRODUCTION

Introduction: The Macroeconomic Crucible and Fiscal Transitions

The fiscal trajectory of the Federal Government of Nigeria between the 2023 and 2026 financial years represents one of the most volatile, reform-intensive, and structurally challenging periods in the nation's post-independence economic history. Operating at the absolute nexus of severe global economic headwinds and deeply entrenched domestic structural deficiencies, the national budget framework has been forced to internalise massive, unprecedented macroeconomic shocks. The period under review spans the conclusion of one political administration and the inception of another, marking a political transition defined by the abrupt, highly disruptive dismantling of legacy heterodox economic policies.

Specifically, the removal

triggering severe currency depreciation and systemic inflationary pressures. Through an institutional and macroeconomic lens, this article dissects four consecutive fiscal cycles to examine baseline structural distress, public debt sustainability, and capital execution deficits. Our analysis reveals that severe debt-servicing burdens and localised procurement failures (averaging 52% in capital projects) persistently crowd out investments in human capital and critical infrastructure. The paper evaluates the legal and administrative challenges posed by hyper-expansionary budgeting, including the unprecedented repeal and re-enactment of appropriation acts. It highlights innovative oversight mechanisms, including AI-driven procurement auditing and the Local Government Accountability Framework (LGAF). Finally, actionable strategic pathways are proposed to restore macroeconomic realism, eliminate budget padding, and safeguard public sector integrity.

Of the Premium Motor Spirit (PMS) subsidy and the aggressive unification of the foreign exchange windows in mid-2023 fundamentally altered the arithmetic of public finance and the broader macroeconomic landscape (World Bank, 2024). These monumental policy pivots, while lauded by multilateral institutions, as necessary structural corrections, dynamically increased the nominal naira value of federation revenues but simultaneously unleashed profound inflationary pressures. Petrol prices surged by an astonishing 167%, rising from ₦254 per litre in May 2023 to ₦671 per litre by December 2023, and continued to rise thereafter (African Development Bank [AfDB], 2024). This energy cost explosion decimated citizen purchasing power and triggered a monumental escalation in the cost of servicing external debt obligations as the naira depreciated by nearly 95.6% following its floatation in June 2023 (AfDB, 2024).

The budgets spanning this four-year continuum, 2023 through 2026, illustrate a desperate, ongoing struggle by the fiscal authorities to align ambitious national development agendas with stark, unyielding revenue limitations. The Nigerian fiscal architecture has historically been characterised by a persistent phenomenon of "nominal illusion." Under this paradigm, budgets appear to grow larger in absolute naira terms year-on-year, yet consistently shrink in real, inflation-adjusted value, rendering the state increasingly incapable of delivering on its physical capital commitments.

The 2023 baseline was defined by an alarming collapse in revenue relative to rigid statutory expenditures, culminating in a deficit that dwarfed the state's aggregate revenue (The Budgit Foundation, 2024a). The subsequent 2024 fiscal framework, initially characterised by optimistic revenue projections tied to the new exchange rate regime, culminated in severe capital execution deficits and a ballooning debt service burden that consumed a paralysing share of the federal outlay. The 2025 budget, heralded as the largest in the nation's history in nominal terms at ₦54.99 trillion, exposed the absolute limits of aggressive expenditure planning in the face of structural revenue constraints, prompting unprecedented legislative manoeuvres such as the complete repeal and re-enactment of the appropriation acts (Nigerian Institute of Social and Economic Research [NISER], 2025).

Consequently, the proposed 2026 Appropriation Bill, set at ₦58.18 trillion and explicitly designated by the executive as a "Budget of Consolidation, Renewed Resilience and Shared Prosperity," represents a critical conceptual pivot (The State House, 2026a; Parliament Reports, 2026). It signals a theoretical shift from a spending-led stimulus approach toward reform-driven macroeconomic stabilisation. However, a rigorous and exhaustive interrogation of the underlying macroeconomic data, capital execution rates, sectoral allocations, and debt accumulation patterns reveals persistent, systemic vulnerabilities that threaten the very viability of the Nigerian state's economic recovery plan. The reliance on deficit financing remains precariously high, capital expenditure continues to suffer from acute procurement bottlenecks and legislative distortions, and the sheer gravity of debt servicing threatens to permanently crowd out all meaningful investments in human capital and critical infrastructure.

Utilising an institutional and macroeconomic lens, this comprehensive research study dissects the evolution of these four fiscal cycles. The analysis scrutinises the underlying assumptions, highlights structural inadequacies, interrogates implementation performance, evaluates the justification for the current trajectory, and delineates a sustainable, transparent path forward that aligns with the Centre for Fiscal Transparency and Public Integrity's (CeFTPI) core oversight mandates.

The 2023 Fiscal Year in Retrospect: The Baseline of Sovereign Distress

To accurately assess the trajectory of current fiscal policies and the necessity of recent structural reforms, it is imperative to establish the baseline for the 2023 fiscal year. A profound failure in revenue mobilisation and an explosive, unsustainable accumulation of fiscal deficits characterised this period. The 2023 national budget was originally formulated under an entirely different macroeconomic paradigm, prior to the dual shocks of the petroleum subsidy removal and the currency floatation. The approved aggregate expenditure for 2023 was anchored at ₦21.83 trillion, with prevailing macroeconomic assumptions relying heavily on an artificially pegged exchange rate of ₦435.57 per US Dollar and a highly optimistic, ultimately unattainable inflation target of 17.16% (The Budgit Foundation, 2024a).

The actual performance of the 2023 budget exposed the extreme fragility of Nigeria's revenue mobilisation apparatus. According to the authoritative Fiscal Accounts Report of the Accountant General of the Federation, the Federal Government generated a mere ₦5.99 trillion in actual total revenue over the entire fiscal year. In stark contrast, actual expenditure reached an overwhelming ₦19.50 trillion. This staggering, systemic disparity resulted in a recorded fiscal deficit of ₦13.50 trillion (AfDB, 2024; The Budgit Foundation, 2024a).

The macroeconomic implications of these figures are profound. The deficit was an astonishing 225% of total revenue. In practical economic terms, the government spent more than three times what it earned. This massive shortfall could not be financed through conventional domestic or external capital markets without triggering an immediate sovereign default crisis. Consequently, the fiscal authorities relied heavily on unconventional deficit financing, primarily through the Central Bank of Nigeria's (CBN) Ways and Means advances. This monetisation of the fiscal deficit injected unbacked liquidity into the financial system, which, coupled with global supply chain disruptions and domestic insecurity affecting agricultural output, served as the primary catalyst for the hyperinflationary spiral that dominated subsequent years.

Table 1: 2023 Fiscal Parameter Targets vs Actual Performance

2023 Fiscal Parameter	Projected /Budgeted Target	Actual Performance	Variance / Macroeconomic Implication
Total Revenue Trillion	₦11.05 Trillion	₦5.99	Massive underperformance; 45.8% shortfall against target.
Total Expenditure	₦21.83 Trillion highly	₦19.50 Trillion	Constrained by ultimate liquidity limits, but excessive against revenue.
Fiscal Deficit Trillion	₦10.78 Trillion	₦13.50	Actual deficit equated to 225% of actual earned revenue.
Exchange Rate	₦435.57 / $1	₦672.85/ $1 (Avg)	Triggered massive unbudgeted FX translation costs on external debt.
Inflation Rate (EoY)	17.16%	24.50%	Decimated real purchasing power and physical value of capital releases.

Source: (EFG International, 2024; BusinessDay, 2024)

The 2023 performance data clearly illustrate that the Nigerian state was confronting an existential revenue crisis. The federal government debt service-to-revenue ratio reached a paralyzing 111% during this period (EFG International, 2024; Business Day, 2024a). This catastrophic metric indicates that the government's entire earned revenue was insufficient to pay the interest and principal on its outstanding obligations, thereby forcing it to secure new borrowing merely to sustain its debt profile. This left absolutely zero retained earnings from traditional revenue sources for statutory transfers, personnel costs, or critical infrastructure investments. This untenable baseline provides the fundamental justification for the extreme, shock-therapy macroeconomic reforms instituted in mid-2023 and the subsequent restructuring of the 2024 and 2025 budgets.

The Debt Conundrum: From Liquidity Squeeze to Fiscal Dominance

The most alarming structural inadequacy identified stemming from the 2023 fiscal continuum is the relentless escalation of public debt and associated servicing obligations. Debt servicing has transitioned from a manageable line item to the dominant, monopolising force over the public treasury, engendering a severe macroeconomic "crowding-out" effect and establishing a regime of fiscal dominance.

While the Federal Government frequently cites the Debt-to-GDP ratio, which stood at a seemingly manageable 40%-43% in 2023, as evidence that Nigeria remains within globally sustainable borrowing limits, this metric is fundamentally flawed and dangerously misleading in Nigeria's context (Trading Economics, 2026).

The International Monetary Fund (IMF) and the World Bank have repeatedly warned that for economies with abysmally low revenue capture, the true, critical measure of sovereign distress is the debt service-to-revenue ratio (IMF, 2025; World Bank, 2024). Because Nigeria's tax-to-GDP ratio remains exceptionally low, fluctuating between 7.6% and 9.5%, well below the 15% IMF benchmark for economic viability, the government does not capture enough of its underlying gross domestic product as liquid revenue to comfortably service its sovereign obligations (Ministry of Finance Incorporated [MOFI], 2025).

Consequently, the securitisation of the CBN Ways and Means advances played a major role in crystallising this debt burden into formal, interest-bearing obligations. This structural shift cemented a regime in which the state was locked into a vicious liquidity squeeze, validating the decision to pivot toward aggressive resource mobilisation. However, implementing subsequent frameworks would pose significant operational challenges.

The 2024 Budget: Transitional Shocks, FX Translation Risks, and Execution Failures

The 2024 fiscal cycle represented the first full-year budget under the new economic regime. Initially christened "The Renewed Hope Budget," it was originally proposed at ₦27.5 trillion but was subsequently revised and expanded through supplementary appropriations to ₦35.05 trillion (NISER, 2024; Policy and Legal Advocacy Centre [PLAC], 2024; The Budgit Foundation, 2024b). The 2024 framework was heavily reliant on the anticipated fiscal dividends from the removal of the PMS subsidy and the unification of the exchange rate, projecting total non-debt revenue of ₦19.6 trillion and a deficit of ₦9.18 trillion (PLAC, 2024).

The actual performance of the 2024 budget reveals a complex interplay in which nominal revenue gains are entirely offset by currency depreciation and exploding debt service costs. In 2024, the federal government recorded actual revenues of ₦20.98 trillion. This appeared to be a significant improvement over 2023, largely driven by the mechanical effects of currency depreciation, which vastly inflated the naira value of dollar-denominated petroleum receipts and enhanced non-oil revenue collections by the Federal Inland Revenue Service (FIRS). The government's share of non-oil revenue rose by 40% (reaching ₦5.01 trillion against a budgeted ₦3.57 trillion), while independent revenues surged by 37% (PLAC, 2024).

However, this nominal revenue victory was utterly consumed by the expenditure side. The total actual expenditure for 2024 reached ₦34.49 trillion, resulting in a deficit of ₦13.58 trillion. The most critical inadequacy of the 2024 budget performance was the explosion of debt service costs. While ₦8.27 trillion was appropriated for debt service, the actual expenditure skyrocketed to ₦12.63 trillion, an unprecedented 53% overshoot.

This discrepancy highlights the severe vulnerability of the Nigerian fiscal framework to exchange rate volatility. The massive depreciation of the naira in the first half of 2024 directly multiplied the naira required to service foreign-denominated debt (Eurobonds and multilateral loans), crowding out almost all discretionary spending. Debt service accounted for over 37% of the total expenditure for the year, cementing its position as the largest single drain on public resources.

Beyond the macroeconomic pressures of debt servicing, the 2024 budget highlighted the chronic, systemic disease of poor execution of physical capital. While ₦11.59 trillion was purportedly spent and released from the treasury for capital projects, exhaustive independent field tracking revealed a disturbing reality. According to monitoring reports from civic-tech organisations, only about 52% of Nigeria's 2024 capital projects showed evidence of on-the-ground physical completion (BusinessDay, 2024b).

The data indicates that over ₦2 billion was rapidly disbursed for projects that were ultimately never executed. While the Minister of Finance claimed an 80% overall budget implementation rate, this figure conflates recurrent spending (which is almost always executed in full through salary payments) with capital spending, thereby masking severe localised failures in infrastructure delivery.

Projects classified as unexecuted, abandoned, or "fraudulently delivered" accounted for billions of naira in wasted public funds. Fraudulently delivered projects are characterised by significant irregularities: the outright diversion of project funds, disbursements for projects that were completed in previous budget cycles (double-counting), and poorly executed or substandard physical delivery that fails to meet engineering specifications (BusinessDay, 2024c). Geographically, this procurement failure was not evenly distributed. Sub-national tracking indicated that Imo State recorded the highest rate of fraudulent delivery of national projects at 17.43%, followed by Lagos (12.73%), Kwara (11.76%), and Abia (10.67%) (BusinessDay, 2024c). Together, these regions accounted for 57.1% of all fraudulently delivered projects nationwide. This systemic failure exposes a severe disconnect between the central treasury's financial releases in Abuja and the realities on the ground in local communities, proving that publishing budget data alone does not guarantee statutory accountability or service delivery.

The 2025 Budget: Hyper-Expansion, Revenue Unrealism, And Legislative Distortion

If 2024 was the year of transitional shock, 2025 was the year of absolute fiscal expansion, quickly followed by structural realignment. The 2025 budget, signed into law at ₦54.99 trillion, represented a staggering 56% nominal increase over the initial 2024 appropriation (The Budgit Foundation, 2025). The budget posited an intensely ambitious revenue target of ₦41.81 trillion (revised upwards from the executive proposal of ₦36.35 trillion), leaving a projected deficit of ₦13.08 trillion.

The fundamental inadequacy of the 2025 budget lay in its profound lack of realism about revenue. Financial analysts and civic organisations immediately recognised that generating over ₦40 trillion in revenue was mathematically and structurally improbable, given that actual revenue was unlikely to exceed ₦23 trillion, based on prevailing economic indicators and constrained oil output (Medium, 2025). The reliance on an incredibly aggressive assumption of 2.06 million barrels per day (mbpd) of crude production was entirely disconnected from the physical realities of the Niger Delta, where pipeline vandalism and chronic underinvestment kept production hovering between 1.3 and 1.5 mbpd. Budgeting based on installed capacity rather than actual, secure output guarantees a massive revenue shortfall from the onset of the fiscal year.

Moreover, the 2025 budget process acutely exposed the deep political distortions and institutional frictions that plague Nigerian public financial management. During the legislative review phase, the National Assembly inserted 11,222 entirely new micro-projects into the appropriation bill (African Liberty, 2026). These sweeping legislative insertions totalled nearly $4.7 billion USD, representing over 12 per cent of the national budget.

These insertions were executed without any executive feasibility studies, engineering designs, or strategic alignment with the broader National Development Plan. Furthermore, they were frequently funnelled into agencies that lacked the technical and absorptive capacity to execute them.

Economists argue that when budgets are manipulated in this way, it limits transparency, serves underlying political patronage motivations, and denies citizens accountability. This pervasive practice arbitrarily inflates the budget, creates severe economic imbalances, and legally mandates the treasury to attempt to fund a highly fragmented, incoherent developmental agenda, directly causing the high project abandonment rates witnessed across the country.

The administrative chaos generated by rolling over unfunded projects, missing revenue targets, and the use of parallel fiscal instruments reached a critical threshold in late 2025. This culminated in an unprecedented and highly controversial legal manoeuvre: the National Assembly, at the behest of the Executive, undertook the complete repeal and re-enactment of both the 2024 and 2025 Appropriation Acts (The State House, 2025). The Budget Office of the Federation (BOF) vehemently defended this action against claims of constitutional breach and fiscal illegality, arguing that Sections 80–84 of the Constitution do not prohibit the legislature from repealing an Act when severe macroeconomic shifts, such as massive currency fluctuations and inflation reaching 34%, render the original document functionally obsolete. The stated rationale was to clean up the "legal clutter" of supplementary budgets, reset the exchange rate parameters to reflect the current reality of ₦1,450 per US Dollar, and provide a single, clean, authoritative document to streamline the Auditor-General's post-expenditure auditing process (BOF, 2025; National Assembly of Nigeria, 2025).

From a fiscal transparency perspective, the repeal-and-re-enactment process is a double-edged sword. On the one hand, concluding the globally unorthodox era of overlapping, multiple budgets and enforcing a strict, unified revenue cycle eliminate administrative obfuscation and force the government to recognise its constraints formally. On the other hand, civil society critics point out that repealing a budget midway through its lifecycle can mask execution failures, legitimise extralegal virements made under pressure, and disrupt long-term tracking of specific capital projects.

The Human Capital Squeeze: The Health Sector Funding Collapse of 2025

The consequences of this distorted, hyper-expanded budgetary framework were most acutely felt in critical human capital sectors, where rhetoric about developmental priorities violently clashed with funding realities. The health sector illuminates the depth and severity of this crisis. In the 2025 budgetary framework, an appropriation of ₦218 billion was proudly approved by the parliament for the execution of capital projects within the Ministry of Health (More Branches, 2025; ICIR Nigeria, 2025). However, explosive budget defence testimony at the National Assembly revealed an astonishing near-total failure of implementation. The Coordinating Minister of Health and Social Welfare publicly disclosed that only ₦36 million of the ₦218 billion capital allocation had been released by the Ministry of Finance (ICIR Nigeria, 2025).

This represents a catastrophic release rate of less than ***0.02%***. The minister explicitly blamed the federal government's "bottom-up cash planning system," which severely constrained access to project funds despite parliamentary approval. This near-total lack of cash backing completely undermines the administration's earlier pledges to elevate health spending and fortify national healthcare delivery. Capital allocations are strictly intended to fund long-term infrastructure projects, procure vital medical equipment, and rehabilitate decaying health facilities. The failure to disburse these funds stalls critical projects.

Nationwide, directly contributes to the ongoing medical brain drain, as healthcare professionals flee deteriorating infrastructure in search of better working conditions abroad.

Crucially, the failure to release health capital funds extends far beyond the lack of physical brick-and-mortar infrastructure; it imposes severe fragility on national healthcare information systems. Capital expenditure underpins critical investments in electronic medical records, laboratory information systems, disease surveillance networks, and integrated health management information systems (HMIS) (Health Information For All [HIFA], 2025). When budget releases collapse to ***0.02%***, digital modernisation initiatives stall entirely. Health facilities are forced to revert to manual, paper-based reporting, which delays information flow and radically increases error margins. This structural fragmentation of data limits harmonisation between federal and state-level datasets, weakens early detection of epidemiological outbreaks, and fundamentally undermines the state's capacity for rapid response, directly endangering domestic biosecurity.

The 2026 Budget Proposal: Consolidation, Debt Spirals, And the Centralisation of Capital

The proposed 2026 Appropriation Bill, presented to a joint session of the National Assembly and set at an aggregate ₦58.18 trillion, marks a critical conceptual pivot by the federal government (The State House, 2026b). Christened by the President as the

"Budget of Consolidation, Renewed Resilience and Shared Prosperity," it explicitly promises a transition from the pain of structural shock policies to the stabilisation of macroeconomic gains, the restoration of foreign investor confidence, and the institutionalisation of long-term resilience. However, a careful, rigorous analysis of the 2026 aggregate framework reveals a reluctant concession to reality on the revenue side, paired with highly alarming, potentially destabilising trends on the expenditure and deficit fronts.

The expected total revenue for 2026 is projected at ₦34.33 trillion (The Budgit Foundation, 2026). This significant downward revision from the highly speculative 2025 target of ₦41.81 trillion demonstrates a dawning executive understanding that previous macroeconomic projections were fundamentally unattainable. However, with total aggregate expenditure climbing to ₦58.18 trillion, the resulting fiscal deficit explodes to an unprecedented nominal high of ₦23.85 trillion. This structural configuration implies a deficit-to-revenue ratio of nearly ***70%***, representing ***4.28%*** of the projected Gross Domestic Product. In practical, unavoidable terms, for every ₦100 the federal government expects to earn in 2026, it plans to borrow an additional ₦70. This ratio indicates that the government has yet to escape the vicious cycle of fiscal indiscipline observed in 2023 and 2024, where massive new borrowing was required merely to bridge the gap between basic operating expenses and actual tax receipts.

Table 2: Comparative Diachronic Macroeconomic Framework (2024–2026)

Macroeconomic Parameter	2024 Budget (Approved)	2025 Budget (Approved)	2026 Budget (Proposed)
Total Expenditure	₦35.05 Trillion	₦54.99 Trillion	₦58.18 Trillion
Total Revenue Target	₦19.60 - ₦20.98 Trillion	₦36.35 - ₦41.81 Trillion	₦34.33 Trillion
Fiscal Deficit	₦9.18 - ₦13.58 Trillion	₦13.08 Trillion	₦23.85 Trillion
Crude Oil Benchmark	$77.96 / barrel	$75.00 / barrel	$64.85 / barrel
Oil Production Target	1.78 mbpd	2.06 mbpd	1.84 mbpd
Exchange Rate	₦800 / $1	₦1500 / $1	₦1400 / $1
Inflation Rate Target	21.40%	15.75%	15.00%

Source: (PwC Nigeria, 2026).

The composition of the 2026 expenditure underscores the extreme, paralysing rigidity of the Nigerian state. Debt servicing is allocated a massive ₦15.52 trillion, while recurrent (non-debt) expenditure, which includes the massive personnel cost layout, is set at ₦15.25 trillion (PwC Nigeria, 2026). Therefore, total mandatory consumption spending (debt service plus recurrent costs) hits an astonishing ₦30.77 trillion. This implies that almost 90% of the projected ₦34.33 trillion in total revenue will be consumed before a single capital project is initiated, leaving national infrastructure development entirely dependent on the successful, highly expensive realisation of the ₦23.85 trillion debt procurement strategy (PwC Nigeria, 2026).

When the government is forced to tap heavily into domestic capital markets to finance this massive deficit, it acts as a vacuum for domestic liquidity. By issuing FGN Bonds at elevated interest rates, the federal government absorbs the capital that would otherwise be available to the private sector. This macroeconomic "crowding-out" dynamic actively suppresses private enterprise expansion, stifles critical job creation, and locks the government into structurally higher future debt service costs, neutralising the very economic growth the budget purports to stimulate.

Furthermore, a new, highly concerning anomaly has emerged within the 2026 capital expenditure architecture. While ₦26.08 trillion is theoretically earmarked for capital investments, representing roughly 44.8% of the budget, an unprecedented ₦5.1 trillion is classified vaguely as "Capital Supplementation" (The Budgit Foundation, 2026). Historically, capital supplementation has remained a minor contingency fund, with a size under ₦1 trillion. Crucially, these massive funds are centralised outside the traditional Ministries, Departments, and Agencies (MDAs), effectively placing vast discretionary capital control squarely within the Ministry of Finance via various intervention funds. Fiscal analysts argue that classifying these items as true "capital spending" is highly debatable, as several of the supplementary items lack a defined shelf life beyond the current fiscal year, contradicting the very nature of capital asset creation. This massive centralisation severely weakens line-item visibility and statutory accountability mechanisms. It completely bypasses standard decentralised procurement protocols overseen by individual ministries, raising serious red flags for public-sector integrity.

Socioeconomic Fallout: Inflationary Pass-Through and Demographic Threats

The rhetoric of "shared prosperity" embedded in the 2026 budget frequently clashes with socioeconomic reality and the consequences of sectoral resource allocation. While macroeconomic indicators such as GDP growth, projected by the AfDB to recover slightly to 3.4% in 2025, and narrowing fiscal deficits dominate state discourse, the microeconomic welfare of the citizenry reveals deep, potentially permanent scarring (AfDB, 2024). The structural underfunding of human capital, exacerbated by abysmal fund release rates, as evidenced by the health sector's 0.02% execution performance, has led to a rapid, measurable deterioration in the national human capital index.

The World Bank's Nigeria Development Update (NDU) explicitly identifies that while macroeconomic reforms are necessary, the absolute number of people living in poverty has increased sharply (World Bank, 2024). The report notes that employment alone is insufficient to lift people out of poverty without the active creation of productive, high-wage jobs, warning that inflation and low fiscal revenues continue to hinder broad-based economic growth severely. Projections by the World Bank and PwC indicate that the national poverty rate is set to peak at 62% in 2026, with an estimated 141 million

Nigerians living below the poverty line (PwC Nigeria, 2026; Punch Newspapers, 2026). This denotes a massive increase, with roughly 14 million people falling into extreme poverty within a single year (Punch Newspapers, 2026). Food inflation remains severely elevated due to domestic insecurity, compounding logistics costs, energy prices, and direct exchange-rate pass-through of imported staples, meaning that the true inflationary burden for poorer Nigerians remains significantly higher than the national average headline rate (Vanguard News, 2026).

The crisis in early childhood development and basic education mirrors the explosion of poverty precisely. Nigeria is home to one of the world's youngest populations, with over 82 million citizens currently under 14 (World Bank, 2023). However, the failure to protect this vital demographic through targeted, cash-backed fiscal interventions is leading to a lost generation. Development reports highlight a massive expansion in the population of out-of-school children, rising dramatically from 15.00% in 2023 to 25.60% in 2024 (World Bank, 2024). When vulnerable families are forced to absorb the shock of energy subsidy removals without the immediate deployment of comprehensive compensatory transfers, they resort to desperate coping mechanisms. These include withdrawing children from formal schooling to engage in child labour and avoiding necessary preventive healthcare to save money. Brain development is most rapid in the first 2,000 days of life; however, with nearly half of Nigerian children living in extreme poverty and roughly 40% stunted, the cognitive future of the nation is at risk (BusinessDay, 2026).

Evaluating Justification for the Current Fiscal Path

Given the severe socio-economic distress, characterised by high inflation, currency weakness, and escalating poverty, a critical question emerges: Is there a macroeconomic justification for continuing on the current path of stringent fiscal consolidation, tight monetary policy, and reform-driven budgeting? From an orthodox macroeconomic perspective, as endorsed by the IMF and the World Bank, the path is not only justified but represents the only viable route away from sovereign insolvency (IMF, 2025; World Bank, 2024). The legacy policies of 2023, specifically, the fuel subsidy that consumed virtually all oil revenues and the multiple exchange-rate windows that deterred foreign investment and fueled arbitrage, were structurally terminal. The IMF has noted that Nigeria's macroeconomic stabilisation is on track, with the interbank foreign exchange market solidifying and the fiscal stance firming, driven by continued increases in nominal revenues (IMF, 2025). The World Bank projects that if these macroeconomic stabilisation reforms are maintained, the economy is expected to grow at an average annual rate of 3.5% during 2023–2026, which is 0.5 percentage points higher than the counterfactual scenario of abandoning the reforms (World Bank, 2024).

The 2026 budget's strategy is heavily reliant on this paradigm. It pivots aggressively toward domestic resource mobilisation through the National Tax Acts, aiming to replace public capital expenditure with private investment via Public-Private Partnerships (PPPs) and blended finance models. The strategic reduction of the Company Income Tax (CIT) threshold to 25%, alongside the expansion of input VAT claims, represents a sophisticated attempt to leverage the Laffer Curve: lowering the compliance burden to expand the formal tax base, reduce evasion, and stimulate private sector profitability, which ultimately yields higher aggregate tax receipts.

However, the justification for this path falters significantly when evaluating execution capacity. The fundamental critique of the current trajectory is that while the federal government is highly efficient at implementing the painful, cost-imposing aspects of the reform (subsidy removal, currency float, tax enforcement), it remains systemically inefficient at deploying the resulting revenue to build infrastructure or protect the vulnerable. If the state continues to execute only 52% of its physical capital projects, while allowing legislative insertions to fragment the budget and spending 90% of its revenue on debt and salaries, the "reform-driven growth" model will inevitably devolve into mere stagflation. The current path is theoretically justified, but its practical legitimacy is entirely contingent on eradicating public sector leakages and drastically improving procurement efficiency.

Institutionalising Transparency: Civic Technology, AI, And Procurement Integrity

The transition from high-level policy formulation in Abuja to the actual, physical delivery of projects across the states requires robust, highly institutionalised oversight mechanisms. The landscape of Nigerian public financial management is increasingly benefiting from rigorous civil society intervention and the aggressive deployment of civic technology to combat the systemic 52% failure rate in capital execution. Institutions such as the Centre for Fiscal Transparency and Public Integrity (CeFTPI) and allied civic-tech organisations like BudgIT have become indispensable nodes for ensuring budget credibility, tracking implementation on the ground, and combating institutional opacity.

Public procurement remains the primary vector for massive public sector leakage, project abandonment, and systemic corruption. The traditional post-expenditure auditing framework utilised by the Auditor-General's office, while necessary, is fundamentally reactive and structurally incapable of preventing the initial haemorrhaging of funds to unqualified or fraudulent contractors. To permanently rectify this, the introduction of advanced technological platforms represents a necessary quantum leap in expenditure tracking. For instance, the recent presentation of the ALETHEIA AI Procurement Integrity Portal by CeFTPI aims to pioneer a future of transparent and highly accountable procurement in Nigeria (CeFTPI, 2026a). By actively digitising procurement oversight, the ALETHEIA portal integrates artificial intelligence algorithms to flag anomalies in contract pricing autonomously, cross-reference contractor histories against corporate registries to detect patterns of abandonment, and identify beneficial ownership conflicts in real time. This proactive, algorithmic oversight aims to ensure that capital released from the central treasury translates directly into functional physical infrastructure, rather than being dissipated through proxy companies lacking engineering capacity.

Furthermore, accountability mechanisms must extend beyond the federal nucleus to the grassroots level, where the impact of primary healthcare and basic education projects is felt most acutely by the citizenry. CeFTPI's coordination and deployment of the Local Government Accountability Framework (LGAF) is a critical initiative designed specifically to strengthen the lowest, historically most opaque tier of government (CeFTPI, 2026b). The LGAF serves as a standardised diagnostic and capacity-building tool, currently deployed across all 774 Local Government Areas (LGAs) in the 36 states. It is engineered to enhance transparent budgeting, procurement, auditing, and basic service delivery at the municipal level (CeFTPI, 2026c). By establishing standardised indicators to assess performance and meticulously monitoring resource use, the LGAF bridges the critical oversight gap that historically allowed sub-national capital allocations to be misappropriated undetected. Fostering citizen engagement and aligning with the strategies of anti-corruption bodies, such as the Independent Corrupt Practices and Other Related Offences Commission (ICPC), builds genuine public trust and ensures that public resources ultimately deliver tangible dividends to marginalised populations (CeFTPI, 2026d).

STRATEGIC PATHWAYS FOR FISCAL CONSOLIDATION AND STRUCTURAL REFORM

The Nigerian fiscal evolution from the crisis baseline of 2023 through the proposed consolidation of 2026 highlights a nation caught violently between the agonising necessity of macroeconomic structural adjustment and the profound institutional inertia of legacy budgeting practices. To transition the 2026 "Budget of Consolidation" from a rhetorical, nominal document into a highly functional instrument of macroeconomic stabilisation, the following comprehensive, actionable pathways must be adopted:

1. **Institutionalisation of Macroeconomic Realism:** The Ministry of Budget and Economic Planning must permanently abandon the practice of anchoring budgets to highly optimistic, politically palatable benchmarks that exist solely to disguise the true scale of the deficit. Future revenue frameworks must utilise highly conservative oil production targets that accurately reflect on domestic technical capacity and localised security realities in the Niger Delta, not theoretical installed capacity. Exchange rate and inflation parameters must align seamlessly with the Central Bank's monetary-tightening trajectory to prevent catastrophic FX translation overshoots in debt servicing. A budget built on stringent, unapologetic realism inherently mitigates the necessity for disruptive mid-year legislative repeals and emergency, high-interest domestic borrowing that crowds out the private sector.
2. **Eradication of Legislative Micro-Insertions:** The pervasive, highly destructive practice of lawmakers inserting thousands of unvetted, unfounded micro-projects, totalling an astonishing $4.7 billion and encompassing 11,222 individual items, as witnessed in the 2025 cycle, fundamentally undermines the coherence and viability of national economic planning. A rigorous legal review and immediate amendment of the Fiscal Responsibility Act, potentially seeking

binding constitutional clarification from the Supreme Court, are urgently required to define the precise boundaries of legislative appropriation powers. Implementing a legislated cap, such as strictly limiting legislative amendments to a low single-digit percentage (e.g., 3%) of the total budget, would preserve democratic legislative input while legally prohibiting the arbitrary inflation of the budget with hyper-local patronage projects that bypass executive feasibility studies and absorptive capacity assessments.

3. **Decentralisation and Auditing of Capital Supplementation:** The unprecedented and dangerous centralisation of ₦5.1 trillion in capital supplementation outside of statutory Ministries, Departments, and Agencies (MDAs) in the 2026 budget must be immediately reversed or subjected to extreme, open-book transparency protocols. Centralised pools of capital operating within the Ministry of Finance fundamentally bypass standard decentralised procurement oversight, obscure vital line-item tracking, and exponentially increase the risk of massive misappropriation under the guise of emergency interventions. All capital expenditure must be strictly tied to specific, geographically identifiable projects with a verifiable, multi-year shelf-life, under the direct supervision of technically competent, routinely auditable agencies to ensure effective physical service delivery.
4. **Mandatory Deployment of AI-Driven Open Contracting:** To permanently resolve the paralyzing 52% capital execution deficit and eliminate the geographic concentration of fraudulently delivered projects, the federal government must mandate the full legal and operational integration of the Bureau of Public Procurement's databases with advanced civic tech platforms, such as the ALETHEIA Procurement Integrity portal. Real-time, algorithmically verified tracking of contract awards, integration with beneficial ownership registries, and enforcement of milestone-based smart payments will dramatically reduce the incidence of abandoned infrastructure and ensure that capital releases from the treasury translate directly into functional physical assets.
5. **Optimisation of the Debt Profile via Asset Divestment:** Nigeria cannot tax its way out of the current debt overhang in the short term without severely suppressing aggregate demand and plunging the economy deeper into recession. To immediately alleviate the crushing ₦15.52 trillion debt service burden projected for 2026, the government must aggressively pursue the financialization and divestment of dormant and chronically underperforming state-owned assets. The transparent privatisation of state enterprises, coupled with the long-term concession of key transportation and energy infrastructure, can generate massive, immediate, non-debt liquidity to retire expensive domestic bonds. This strategic deleveraging will actively force down domestic interest rates, favourably steepen the yield curve, and reopen domestic credit markets to the private sector, thereby stimulating much-needed job creation.

6. **Statutory Ring-Fencing of Human Capital Expenditure:** The painful but necessary process of fiscal consolidation must not result in the total collapse of the national social contract. To actively prevent extreme poverty from engulfing 141 million citizens and to halt the devastating generational crisis of 25.60% out-of-school children, appropriations for health, education, and social safety nets must be statutorily ring-fenced. These allocations must be guaranteed 100% cash backing and immediate quarterly release, completely bypassing standard bureaucratic delays. The catastrophic failure to release 99.98% of the health capital budget in 2025 is a systemic, life-threatening breakdown that cannot be repeated if the nation is to survive demographic pressures. Protecting the most vulnerable populations through expanded, technology-verified cash transfer systems and resilient digital health data ecosystems is not merely a moral imperative; it is a critical macroeconomic necessity for preserving domestic aggregate demand, labour productivity, and national stability during a period of intense structural adjustment.

Conclusion

The Fiscal Journey of the Federal Government of Nigeria, from the Year 2023 through to the Proposed Appropriation Bill of 2026 is one which is riddled with structural contradictions, institutional inertia, and the pain of delayed macroeconomic reform. In 2023, the fragile nature of the revenue structure of Nigeria was brought into clear light, with a deficit of 225% of the actual revenue forcing Nigeria to engage in monetary financing that led to inflation. In the year 2024, it became clear that there are no gains that can be made in terms of revenue through the floating of the currency, without the corresponding expenditure reforms. For instance, in 2024, debt servicing consumed about 37% of all expenditures made. The 2025 Budget cycle saw the excessive expansion of the budget by means of 11,222 legislative micro-insertions amounting to close to $4.7 billion, making it difficult for the nominal budget to be effective, resulting in the unique situation of repealing and re-enacting of two successive appropriation bills.

Three systemic failures are repeated in every one of the four fiscal cycles. First, macroeconomic forecasts have always been based on politically convenient figures rather than on reality, particularly the overstatement of production levels of crude oil, causing revenue shortfalls from the very first day of the fiscal cycle. Second, poor implementation of capital budgets, where the average level of physical implementation is just 52%, is due to severe procurement problems, such as fake deliveries, abandonment of projects by contractors, and the geographic focus of the malfeasance that cannot be obscured by any budget number. Third, human capital underspending, which is represented by the shocking level of actual disbursement of ₦36 million out of ₦218 billion appropriated for health capital in 2025, shows that fiscal consolidation of the state has shifted adjustment costs onto the poorest sections of society.

Going forward requires a clear change from growth in the budget to budgetary credibility. The rationale for the existing path of reform from a macroeconomic point of view is justified, and the recognition of the effort by the IMF and the World Bank demonstrates that stabilization efforts have achieved something (IMF, 2025; World Bank, 2024). However, the macroeconomic logic of reform must be backed by an ability to execute reforms on the institutional level. The strategies described in this paper - institutionalization of macroeconomic realism, legal caps on micro-insertions into legislation, decentralization of capital supplementation, mandatory monitoring of procurement processes via AI via portals such as ALETHEIA, restructuring of the debt portfolio through asset divestments, and budgetary protection of human capital expenses - constitute not reform options but minimal structural changes required in order for the budget of 2026 to actually fulfill its promises of consolidation, resilience, and shared prosperity. Without these reforms, Nigeria will continue in a vicious circle of ever-larger budgets during the era of reforms without any corresponding real improvement in citizens' wellbeing.

References

African Development Bank Group. (2024). Nigeria economic governance and energy transition support program (EGET-SP) phase I: Project appraisal report & Economic outlook. Abidjan: AfDB.

African Liberty. (2026). Nigeria's 2026 budget: Wastage v. fiscal responsibility. Retrieved from https://www.africanliberty.org/2026/02/04/in-2026-nigeria-must-learn-from-the-failures-of-2025s-budget/

Budget Office of the Federation. (2025). Statement on the repeal and re-enactment of the 2024 and 2025 appropriation acts. Abuja: Federal Ministry of Budget and Economic Planning.

BusinessDay. (2024a). Debt servicing gulps 65% of Nigeria's revenue in 2023, hits N7.7trn. BusinessDay NG.

BusinessDay. (2024b). Report finds only 52% of FG's 2024 capital projects completed. BusinessDay NG. Retrieved from https://businessday.ng/news/article/report-finds-only-52-of-fgs-2024-capital-projects-completed/

BusinessDay. (2024c). Lagos, Abia, and 3 other states top the list of the highest number of fraudulently delivered projects in 2024.

BusinessDay. (2026). $1tn economy at risk as World Bank flags Nigeria's early childhood crisis. BusinessDay NG.

Centre for Fiscal Transparency and Public Integrity. (2026a). Presentation of the ALETHEIA procurement integrity portal. Retrieved from https://www.fiscaltransparency.org/presentation-of-aletheia-procurement-integrity/

Centre for Fiscal Transparency and Public Integrity. (2026b). Local Government Accountability Framework (LGAF) capacity-building workshop across the 36 states of Nigeria. Retrieved from https://www.fiscaltransparency.org/local-government-accountability-framework-lgaf-capacity-building-workshop-across-the-36-states-of-nigeria/

Centre for Fiscal Transparency and Public Integrity. (2026c). Local Government Accountability Framework assessment parameters. Retrieved from https://www.fiscaltransparency.org/tag/local-government-accountability-framework/

Centre for Fiscal Transparency and Public Integrity. (2026d). Presentation of LGAF at the 2026 management retreat of the Independent Corrupt Practices and Other Related Offences Commission (ICPC).

EFG International. (2024). Large public debts and confidence crises. EFG Insights.

Health Information For All. (2025). Public health financing and information system fragility. HIFA Dgroups.

ICIR Nigeria. (2025). Nigerians bear the brunt as Tinubu's health budget suffers a capital shortfall. International Centre for Investigative Reporting. Retrieved from https://www.icirnigeria.org/nigerians-bear-the-brunt-as-tinubus-health-budget-suffers-capital-shortfall/

International Monetary Fund. (2025). Nigeria: 2025 Article IV consultation-press release; staff report. Washington, DC: IMF eLibrary.

Medium. (2025). Nigeria's 2025 budget: A revenue/debt vs expenditure analysis. Retrieved from https://medium.com/@benawokss/nigerias-2025-budget-a-revenue-debt-vs-expenditure-analysis-1be391742430

Ministry of Finance Incorporated. (2025). MOFI national asset register report. Abuja: MOFI.

More Branches. (2025). The health ministry received ₦36m out of ₦218bn 2025 capital allocation. Retrieved from https://www.morebranches.com/health-ministry-received-%E2%82%A636m-out-of-%E2%82%A6218bn-2025-

National Assembly of Nigeria. (2025). The legislative masterstroke—Understanding the "repeal and re-enactment" strategy. Retrieved from https://naltf.gov.ng/the-legislative-masterstroke-understanding-the-repeal-and-re-enactment-strategy/

Nigerian Institute of Social and Economic Research. (2024). Analysis of the approved 2024 Federal Government budget. Ibadan: NISER Briefs.

Nigerian Institute of Social and Economic Research. (2025). Analysis of the 2025 Federal Government proposed budget. Ibadan: NISER Briefs.

Parliament Reports. (2026). Tinubu presents ₦58.18trn budget for 2026 | FULL SPEECH. Retrieved from https://parliamentreports.com/tinubu-presents-%E2%82%A658-47trn-budget-for-2026-full-speech/

Policy and Legal Advocacy Centre. (2024). President Tinubu transmits 2024-2026 MTEF to Senate. PLAC Legist. Punch Newspapers. (2026). Nigeria's poverty rate may hit 62% by 2026, says PwC. Punch NG.

PwC Nigeria. (2026). Nigeria's 2026 budget and fiscal strategy insights: Turning macroeconomic stability to sustainable growth. Lagos: PricewaterhouseCoopers.

Retrieved from https://www.fiscaltransparency.org/presentation-of-aletheia-procurement-integrity/

The Budgit Foundation. (2024a). 2023 budget implementation report infographics. Lagos: BudgIT.

The Budgit Foundation. (2024b). In-depth analysis of FG's 2024 proposed budget framework. Lagos: BudgIT. The Budgit Foundation. (2025). 2025 FG approved budget parameters. Lagos: BudgIT.

The Budgit Foundation. (2026). FG 2026 budget still misses the fiscal discipline mark. Lagos: BudgIT. Retrieved from https://budgit.org/fg-2026-budget-still-misses-the-fiscal-discipline-mark/

The State House. (2025). On the repeal and re-enactment of the 2024 and 2025 appropriation acts and budget transparency. Abuja: The State House.

The State House. (2026a). 2026 national budget speech by His Excellency, President Bola Ahmed Tinubu. Abuja: The State House.

The State House. (2026b). President Tinubu presents ₦58.18 trillion 2026 appropriation bill, vows stronger discipline in budget execution. Abuja: The State House.

Trading Economics. (2026). Nigeria's government debt-to-GDP metrics. Retrieved from https://tradingeconomics.com/nigeria/government-debt-to-gdp

Vanguard News. (2026). 'Nigeria's poverty situation is serious'—Experts react to PwC 2026 report. Vanguard Newspaper Nigeria.

World Bank. (2023). Investing in early childhood development: The key to unlocking Nigeria's future. World Bank Blogs.

World Bank. (2024). Nigeria Development Update (NDU): From policy to people—Bringing the reform gains home. Washington, DC: World Bank Group.