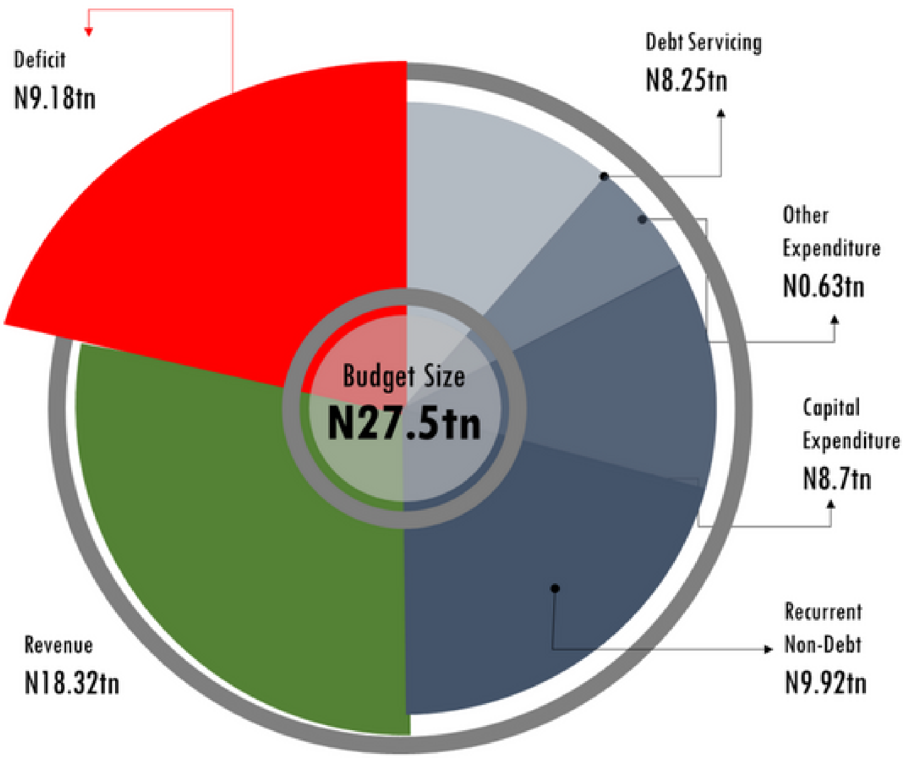
THE NIGERIAN ECONOMIC SUMMIT GROUP

officialNESG

2024 APPROPRIATION BILL

Sectoral Analysis

SNAPSHOT OF FG'S 2024 BUDGET BREAKDOWN & KEY ASSUMPTIONS



Budget Assumptions

Crude Oil Price	$77.96 per barrel
Crude Oil Production	1.78 Million bpd
Exchange rate (N/US$)	750 NGN/US$
Inflation rate	21.5 %

Introduction

President Bola Ahmed Tinubu presented the first appropriation bill (the 2024 Budget) for his administration to a joint session of the Nigerian National Assembly on November 29, 2023. The Budget is christened "The Renewed Hope Budget" proposed an expenditure of N27.5 trillion, the highest in the history of Nigeria and 10.9 percent higher than the 2023 revised budget (N24.83 trillion – addition of signed + supplementary budgets). The Budget relies on revised assumptions outlined in Nigeria's Federal Government's 2024-2026 Medium-Term Expenditure Framework (MTEF). Revenue projection surged by 65.8% to N18.32 trillion, surpassing the 2023 revised budget of N11.05 trillion. Expenditure projection rose by 10.3 percent to N27.5 trillion from the 2023 revised budget. It breaks down into Capital expenditure (31.6%), recurrent (36.1%), debt servicing (30.0%) and others (2.2%). Debt service projection improves to 45.0 percent of revenue in 2024 from 73.5 percent in the 2023 budget proposal. The projection for capital expenditure increased by 34.7 percent, while non-debt recurrent expenditure rose by 19.1 percent. The total deficit hit N9.18 trillion, about 3.88 percent of the nominal Gross Domestic Product (GDP).

Sectoral Breakdown of Expenditure

A breakdown of the budgetary expenditure estimates showed that the Defense and security sector has the largest share of the total (12%), followed by sectors including Education (7.9%), Health (5%), Infrastructure (5%), and Social Investment (2%). It is also important to note that allocations across sectors except the Education and Health sectors were lower in the 2024 Appropriation Bill than their respective levels in the 2023 approved budget (including the supplementary budget).

This is a welcome development as it highlights the giant strides of the current administration to promote human capital development – education and health. Notwithstanding, the allocations to the Health and Education sectors are far below the global benchmarks of 15 percent (2001 Abuja Declaration) and 15-20% (UNESCO standards), respectively.

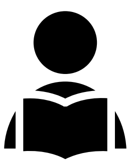
Sectoral Shares of Expenditure in 2023 Budget and 2024 Appropriation Bill

Sector	2024 (N'billion)	2023 (N'billion)	2023 Allocation Share (%)	% Change
Defense & Security	3,250	3,526	12.0	-7.8
Education	2,180	1,790	7.9	21.8
Health	1,330	1,150	5.0	15.7
Infrastructure	1,320	2,055	5.0	-35.8
Social Investment	534	809	2.0	-34.0

Source: Budget Office of the Federation

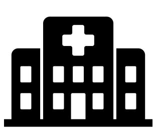
Implications on Priority Sectors

The sectoral disaggregation of the 2024 budget has some associated implications for these crucial sectors, which cannot be overlooked, some of which are highlighted below.



Education Sector

- **In the Education sector, incorporating student loans for enrollees in tertiary education in the budget proposal is a welcome development.** This is expected to reduce the prevalence of out-of-school children as Nigeria has the world's second-highest out-of-school children after India. Tertiary education is considered more expensive compared to the lower levels of education; hence, with student loans, poor students would have access to tertiary education and be relatively competitive with their counterparts from wealthy families. Meanwhile, the Federal Government must set clear guidelines and ensure strict compliance to achieve the desired outcomes. The Student Loan also serves as a springboard test for the subnational governments to emulate.



Health Sector

- **The government has more influence in the Health sector, controlling two-thirds of healthcare facilities in the country. Meanwhile, the health financing gap leaves more to be desired**. The financing gap in the Health sector has been estimated at US$82 billion, covering only infrastructure needs. Meanwhile, the enormous fiscal pressures from expenditure allocation have limited the resources to fund the sector.

Even if the government will retain its influence in the sector, there is a need for effective collaboration with various stakeholders, including the private sector and development partners, to meet the sector’s financing needs.

Infrastructure & Social sector

- **Public spending in priority sectors, including infrastructure, health, education, and social investment, is low and is below the required spending to achieve the Sustainable Development Goal (SDG) targets in these sectors by 2030.** According to the International Monetary Fund (IMF), the post-COVID SDG funding requirement was estimated to be US$50billion per annum, which is higher than the pre-COVID estimate of US$10 billion. Considering the current fiscal pressure, the spending requirement is enormous for the government. Also, data from the World Bank shows that the country’s real investment has fallen short of the additional spending needed (US$40 billion) as it only increased from US$68.4 billion in 2020 to US$71.6 billion in 2021. Thus, the deliberate attempt by the government to prioritise these SDG-related sectors in annual budgetary allocations is crucial to incentivise private sector investments in these sectors in the years ahead.

Defense & Security sector

- **There has been more focus on spending on the Defense and Security sector over the years due to its priority in the lives and livelihoods of Nigerians.** Meanwhile, there is a need to scrutinise the efficiency of spending in the sector as it has yet to improve national security significantly. This drives home the point that spending alone might not be the only solution to solving the country's insecurity challenges. Non-monetary measures such as tackling the root causes of social, economic, and political exclusion should be prioritised. Hence, social investment should also be prioritised in the annual budgetary allocations. In addition, the fiscal pressures on the Federal government can also be reduced through the devolution of powers to the subnationals, and this, coupled with effective community policing and intelligence gathering, should lessen the insecurity level.

Conclusion

The 2024 fiscal year is six years to the expiration of the Sustainable Development Goals (SDGs), and an evaluation of the current state shows that Nigeria is not on the path to meeting the SDG targets. While finding the means to meet the funding requirements is necessary, the judicious use of the available resources is sufficient.

To this end, while all the revenue-generating Ministries, Departments, and Agencies (MDAs) are ensuring to keep track of their revenue targets, the spending aspect must also be taken more seriously to ensure that the Renewed Hope aspirations of the current government are actualised.

About the NESG

The NESG is an independent, non-partisan, non-sectarian organisation, committed to fostering open and continuous dialogue on Nigeria's economic development. The NESG strives to forge a mutual understanding between leaders of thought to explore, discover and support initiatives to improve Nigeria's economic policies, institutions and management.

Our views and positions on issues are disseminated through electronic and print media, seminars, public lectures, policy dialogues, workshops, specific high-level interactive public-private sessions and special presentations to the executive and legislative arms of government.

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