2025 FGN Budget Analysis: Can The Budget Deliver a Major Economic Boost?

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EXECUTIVE SUMMARY

Economically, it is crystal clear that achieving robust economic growth and inclusive prosperity in Nigeria requires higher public spending than the previous level, which had ranked the country as one of the world's economies with the lowest public expenditures.[1]

Between 2015 and 2024, total government spending averaged just 13.1 percent of the country's Gross Domestic Product (GDP), far below the global average of 30 percent and even below the Sub-Saharan African (SSA) average of 21.2 percent. This chronic underinvestment limits the country's ability to build human capital, develop infrastructure, and drive economic diversification.

In addition, the current operational public finance management framework of the Federal Government of Nigeria (FGN) is considered less effective in ensuring the government's annual budget plays its economic stabilisation and balancing role (see Figure 1). Thus, the process has continuously yielded less optimal conditions of anticipated economic returns and improvement in the social welfare of the citizens. In this state, the size of the public expenditure is not as important as the government being effective in resource mobilisation and allocation.

A review of FGN's 2025 budget disclosed that the government is intentional about using its expenditure to boost aggregate demand, support output growth, and drive overall economic development in the year. Aside from the historic high value of the budget, capital expenditure was notably more than recurrent expenditure (non-debt). A key feature of the 2025 budget is its ambitious fiscal expansion, prioritising infrastructure development, debt servicing, and increased allocations to statutory bodies, including newly established regional development commissions. However, the three underlying issues affecting budget performance in the last decade also exist in this year's budget. The issues are the efficiency of public expenditure, revenue optimisation, and growing debt servicing, which continue to hamper economic growth every year.

Addressing these budgetary challenges is essential to support economic growth and development. Without significant improvements in fiscal sustainability, particularly in enhancing revenue generation and curbing excessive borrowing, the ambitious macroeconomic goals outlined in the 2025 budget risk remaining unattainable. Policymakers and other stakeholders should focus on diversifying revenue sources, ensuring debt sustainability, implementing targeted social spending, stabilising the exchange rate and curbing inflation to achieve macroeconomic stability.

1 https://www.worldbank.org/en/news/feature/2022/11/21/nigeria-needs-to-spend-more-and-better#:~:text=Despite%20its%20vast%20development%20needs,translates%20into%20poor%20development%20outcomes.

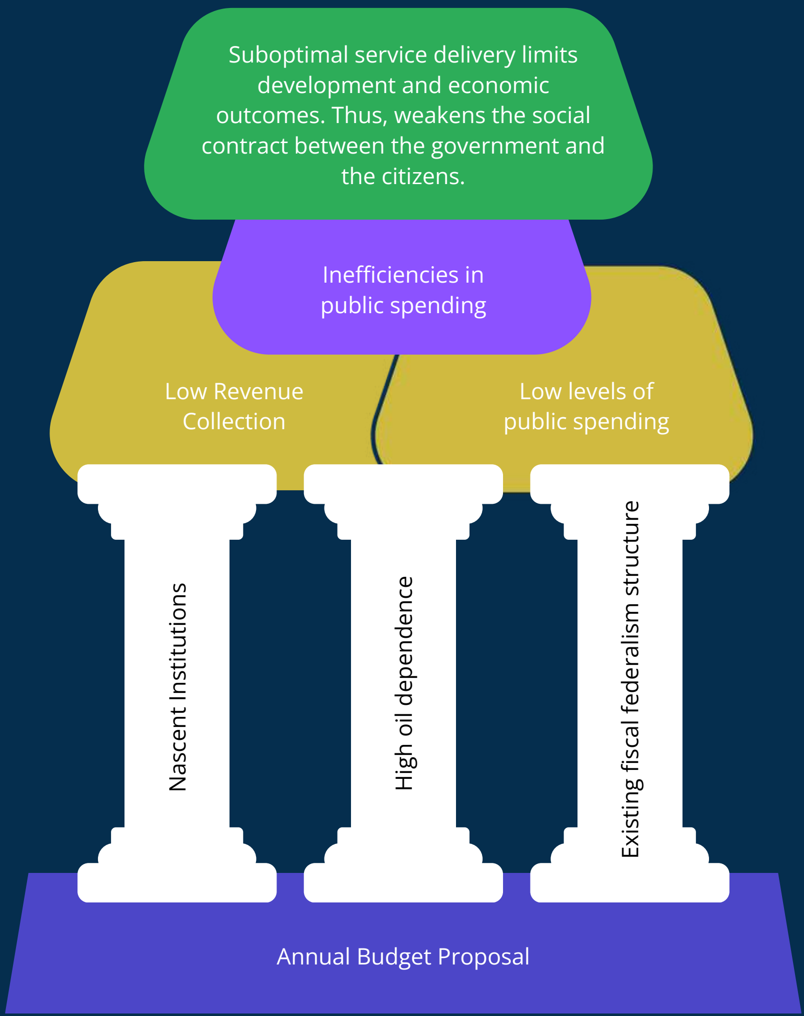


Fig. 1: Nigeria's Current Budgetary Process and Economic Outcomes

To create the necessary budget conditions to deliver economic returns, we recommended that Nigeria must ensure that its annual budgetary process results in:

- Enhanced Revenue Mobilisation – Increasing revenue collection through equitable and efficient tax policies to fund critical development needs.

- Optimised Public Expenditure – Allocating resources strategically to maximise impact, ensuring that spending reaches the most vulnerable population.

- Strengthened Fiscal Institutions – Reinforcing fiscal management frameworks to sustain higher effective public spending over the long term.

This document provides an analytical framework that examines the budget from a comprehensive perspective, building upon previously identified essential conditions to create an environment that supports economic growth and enhances the prosperity of Nigerian citizens.

WHY DOES A COUNTRY'S ECONOMY NEED A BUDGET

Across the globe, many countries use the annual budget as essential groundwork to guide their economic path in the year. Through this resource allocation plan, the government establishes fiscal frameworks for revenue and expenditure that impact macroeconomic performance and economic growth while changing income distribution patterns.

In addition, the budget functions as an essential instrument for economic governance, which helps achieve critical economic objectives such as strategic resource allocation, economic stabilisation, wealth redistribution, growth promotion, debt management, monetary stability, private sector stimulation, regional development, foreign investment facilitation and public service provision.

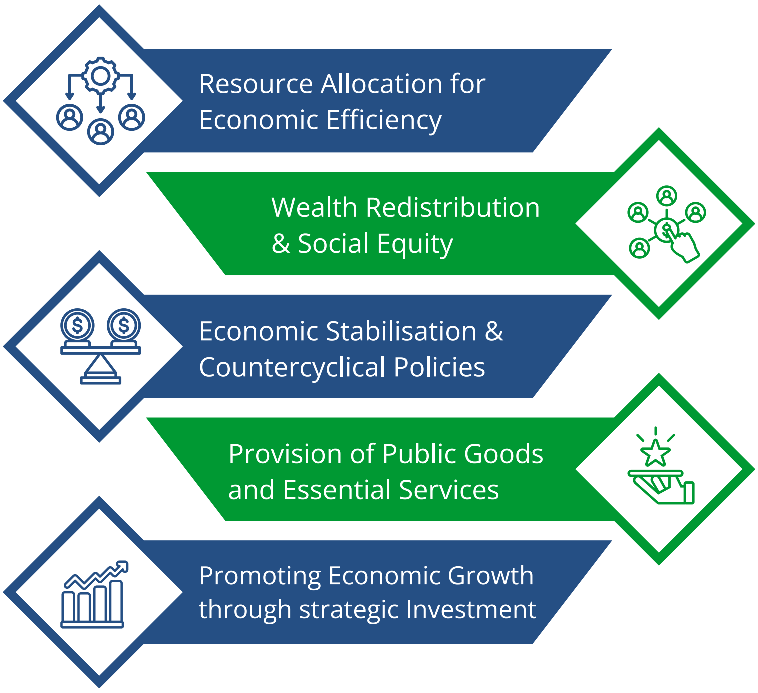


Fig. 2: Roles of Budget in an Economy

Findings have confirmed that a well-designed and implemented budget creates conditions for sustainable economic growth while advancing social fairness and national progress. To support the country's growth process, every nation must maintain effective fiscal planning and budget execution to strengthen its economic resilience while reaching development objectives. A well-designed and implemented budget serves multiple critical functions in national development, including:

1. Resource Allocation for Economic Efficiency

The budget maintains optimal resource distribution among critical infrastructure development and healthcare and education sectors. According to Musgrave and Musgrave (1959)[2] and Samuelson's[3] pure theory of public expenditure, government investments in the economy will produce positive human development outcomes.

2. Economic Stabilisation and Countercyclical Policies

Modern economic frameworks such as Keynesian economics endorse government participation to moderate economic fluctuations and a country's business cycle. Many countries have employed expansionary fiscal policies to stimulate economic growth during downturns, like the United States' fiscal response to the 2008 financial crisis and COVID-19 pandemic. Studies[4,5] have shown that effective fiscal management leads to short-term economic stability.

3. Wealth Redistribution and Social Equity

Progressive taxation and social welfare programmes, which are usually entrenched in the budget, reduce income inequality, as supported by Atkinson and Stiglitz (1976)[6]. Scandinavian countries' models show that high taxes on top earners and strong social spending enhance inclusive growth. Spatial economics theory by Paul Krugman[7] also highlights the budget's role in reducing regional disparities. Studies[8,9] by the African Development Bank (AfDB) have also confirmed that targeted investments in infrastructure and social programmes promote balanced development in Africa.

4. Promoting Economic Growth

The budget facilitates economic growth by directing resources towards productive sectors. Budgetary allocations to infrastructure, education, science, and technology enhance productivity and competitiveness. The Solow-Swan growth model[10] emphasises the importance of using the budget to allocate resources to physical and human capital investment to drive long-term economic expansion.

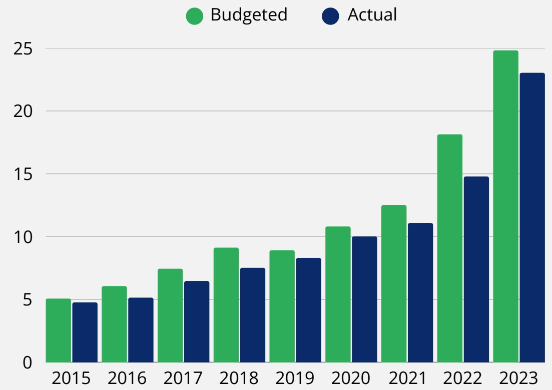
5. Encouraging Private Sector Participation and Investment

Budget plays a pivotal role in fostering private sector growth as the crowding-in effects of strategic public investments help to stimulate private sector participation in the economy. Also, the budget influences investor confidence and international trade through policies on taxation, tariffs, and exchange rates. A well-structured budget signals economic stability, which is a key factor in attracting Foreign Direct Investment (FDI). The World Economic Forum's Global Competitiveness Report[11] highlights that countries with transparent and stable fiscal policies attract higher FDI inflows. Conversely, fiscal mismanagement can deter investment, as evidenced by Argentina's history of debt crises. Empirical research[12, 13] confirmed that sound fiscal policies enhance international trade and economic integration.

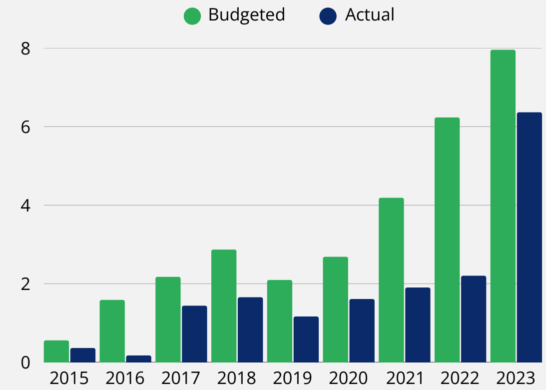
2 Musgrave, R. A., & Musgrave, R. A. (1959). The theory of public finance: a study in public economy (Vol. 658). New York: McGraw-Hill.
3 Samuelson, P. A. (2024). The pure theory of public expenditure. In Public Goods and Market Failures (pp. 29-33). Routledge.
4 Ozekhome, H. O. (2016). Fiscal management and macroeconomic stabilisation: Evidence from Nigeria. West African Financial and Economic Review, 181.
5 Weerakoon, D., & Hewage, K. (2017). Fiscal Policy, Growth and Macroeconomic Stability. Tax Policy in Sri Lanka: Economic Perspectives, 17.
6 Atkinson, A. B., & Stiglitz, J. E. (1976). The design of tax structure: Direct versus indirect taxation. Journal of public Economics, 6(1-2), 55-75.
7 Krugman, P. (1993) On the number and location of cities. European Economic Review, Vol. 37 (2-3), pp. 293-298.
8 Kumo, W. L. (2012). Infrastructure investment and economic growth in South Africa: A granger causality analysis. African development bank group working paper series, 160.
9 Tonia, K. (2009). Infrastructure investment in Africa. African development bank group development research brief vol. 9., August 2009.
10 Solow, R. M. (1956). "A Contribution to the Theory of Economic Growth." The Quarterly Journal of Economics, 70(1), 65-94.https://www.jstor.org/stable/1884513
11 https://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2020.pdf
12 Baimbridge, M., & Whyman, P. (Eds.). (2004). Fiscal federalism and European economic integration (pp. 13-39). London: Routledge.
13 Frieden, J. A. (1991). Invested Interests: the politics of national economic policies in a world of global finance. International Organization, 45(4), 425-451.

FGN'S BUDGET PERFORMANCE TREND (2015-2023)

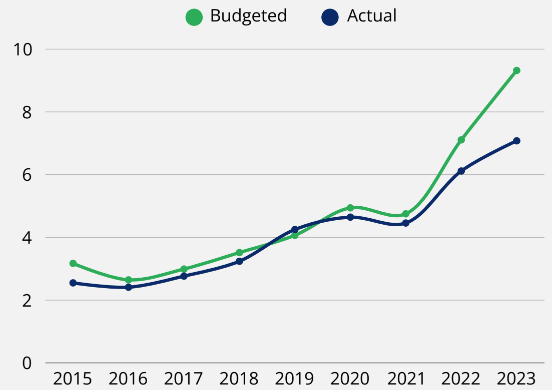
Annual FGN Budget Performance (NGN'Trillion)



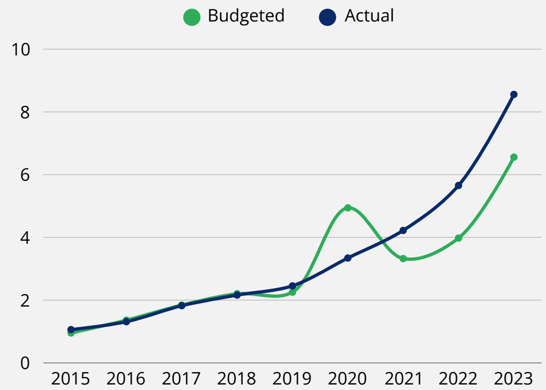
Annual FGN Capital Expenditure (NGN'Trillion)



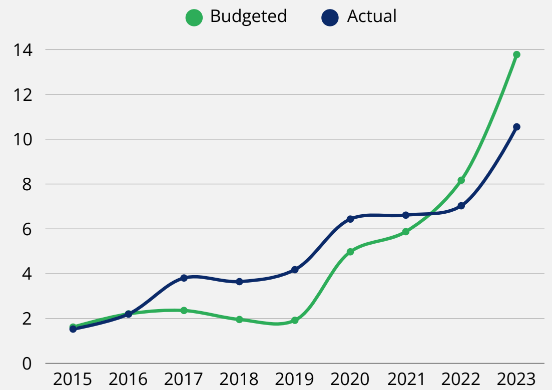
Annual FGN Recurrent Expenditure - Non Debt (NGN'Trillion)



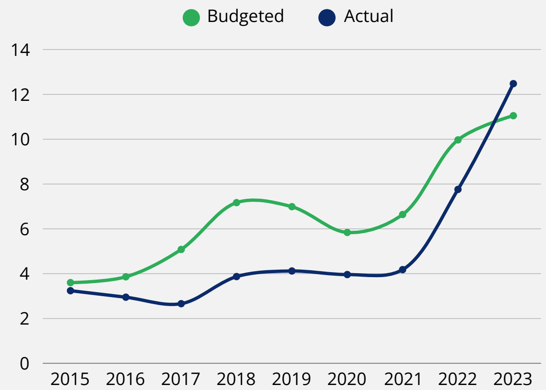
Annual FGN Debt Service (NGN'Trillion)



Annual FGN Budget Deficit (NGN'Trillion)



Annual FGN Revenue Performance (NGN'Trillion)



Data Source: Quarterly Budget Implementation Reports, 2015-2023

NIGERIA'S SOCIO-ECONOMIC SITUATION AND NEED FOR ROBUST BUDGET

As one of Africa's largest and most populous economies, Nigeria faces a complex socio-economic landscape characterised by economic volatility, high poverty rates, under-employment, heightened inflationary levels, and substantial infrastructure deficits. Addressing these challenges requires a robust budgetary process, among other policy tools, to recalibrate the country's socio-economic landscape while serving as a veritable tool for macroeconomic stabilisation, resource allocation, and social development.

ECONOMIC STRUCTURE

Nigeria's economy is highly dependent on the Oil and Gas sector, accounting for about 70 percent of export earnings and a significant share of government revenue. Despite government's economy diversifying efforts, Agriculture, Manufacturing, and Services continue to underperform due to infrastructure deficits, weak industrial policies, and inconsistent government interventions as well as low investment.

In 2024, Nigeria's GDP grew by 3.4 percent, a rise from 2.7 percent in 2023 due to an uptick in the country's crude oil production, which had weakened growth since 2020.[14]

- Overreliance on the export of primary products, including crude oil and agricultural produce, makes the economy vulnerable to global price shocks.
- Low industrial output, manufacturing contributing less than 10 percent of GDP (NBS, 2024).
- Weak agricultural productivity despite employing over 34 percent of the labour force (World Bank, 2023).[15]

Nigeria's GDP grew by 3.4 percent in 2024, up from 2.7 percent in 2023, partly driven by increased crude oil production, which had weakened growth since 2020.

The inflation rate is currently at historical high, eroding welfare and purchasing power of households.

More than half of people living in the country are battling one form of deprivation.

14 National Bureau of Statistics.2024. Quarterly GDP Report, retrieve https://microdata.nigerianstat.gov.ng/index.php/catalog/147/download/1157/Q4_2024_GDP_Report.pdf
15 World Bank. World Development Indicators, retrieve via https://data.worldbank.org/indicator/SL.AGR.EMPL.ZS?locations=NG

INFLATION AND COST OF LIVING CRISIS

High inflation remains a significant concern, reaching a historic high of 34.8 percent in December 2024 (using the old CPI's base year of 2009), due to fuel subsidy removal in mid-2023, Naira depreciation, and supply chain disruptions. The rising cost of essential goods has worsened living conditions, particularly for low-income households.

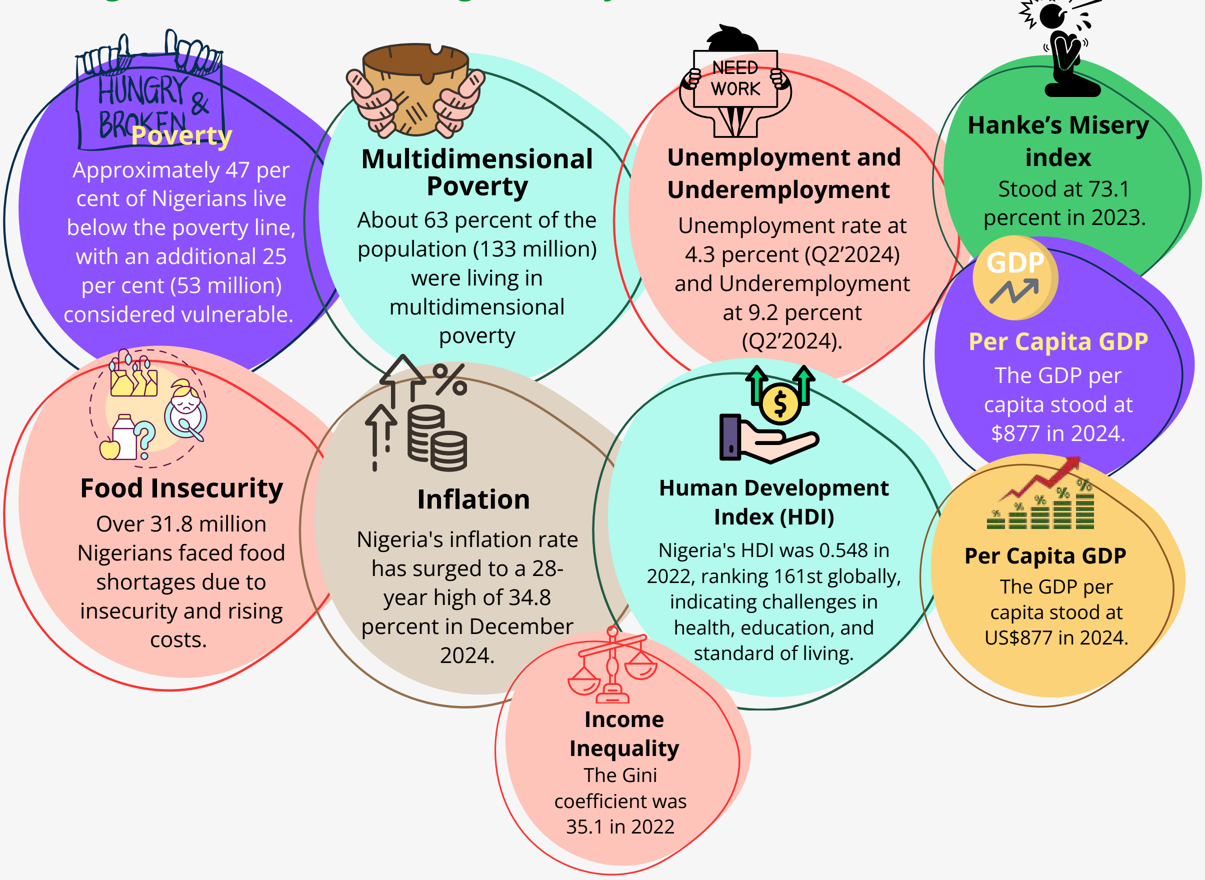
- Weak domestic production, leading to heavy reliance on imported manufactured goods.
- Naira depreciation, making imports more expensive.
- Structural and infrastructure bottlenecks in food production and supply chain activities.

UNEMPLOYMENT AND POVERTY

Nigeria faces high underemployment and poverty levels, particularly among youth and women, as about 95 percent of the labour force is employed in the informal sector (NBS, 2024). This situation has amplified the state of the living conditions in the country. The National Bureau of Statistics[16] reported that 63 percent of Nigerians (133 million people) live in multidimensional poverty, lacking access to healthcare, education, and basic infrastructure. In 2024, World Bank estimated that over 47 percent of Nigeria's population are living in absolute poverty.[17]

- Inadequate job creation in the formal sector.
- Poor quality of education and skill gaps in the workforce.
- High cost of doing business, discouraging private sector expansion.

Fig. 3: Current State of Nigeria's Key Socio-Economic Indicators



16 National Bureau of Statistics. 2022. Multidimensional Poverty Index (MPI), retrieve via https://www.nigerianstat.gov.ng/news/78
17 https://openknowledge.worldbank.org/entities/publication/e09c120c-cb19-4c6e-8d50-b320b3999466

MACROECONOMIC ASSUMPTIONS OF 2025 FGN BUDGET: HOW REALISTIC ARE THEY?

Examining the macroeconomic assumptions underpinning the 2025 Federal Government of Nigeria (FGN) budget is essential for evaluating the potential impact of the country's largest fiscal plan in history.

These assumptions are the foundation for the fiscal plan, reflecting the government's strategy to restore macroeconomic stability, drive inclusive growth, and enhance human capital development. However, achieving these targets will depend on effective budget implementation, oil price and production dynamics, and strategy towards improving domestic revenue mobilisation.

GROSS DOMESTIC PRODUCT (GDP) GROWTH

The 2025 budget projects a real GDP growth rate of 4.6 percent, higher than the 3.4 percent recorded in 2024 and the historical average of 3.2 percent in the last four years. This projection reflects optimism about economic recovery despite prevailing structural challenges. The government anticipates growth driven by the following:

- Increased public investment in infrastructure
- Expansion in non-oil sectors, particularly agriculture, manufacturing, and services
- Policy reforms aimed at improving the ease of doing business and attracting foreign investment

However, Nigeria's economic growth remains vulnerable to external shocks, including fluctuations in global oil prices, global economic conditions, amid existing domestic security concerns. Achieving 4.6 percent growth will require strong commitments towards robust policy implementation and improvements in key economic sectors.

CRUDE OIL PRODUCTION AND PRICE

The 2025 budget projects an average crude oil production of 2.06 million barrels per day (mbpd), a significant increase from the 1.5 mbpd recorded in 2024. The oil price benchmark is US$75 per barrel, slightly lower than the US$79.9 per barrel average in 2024. This cautious estimate reflects global oil market uncertainties and Nigeria's past struggles with meeting production quotas due to security challenges and underinvestment in the oil sector.

The production target of 2.06 mbpd appears ambitious, considering that Nigeria's actual crude oil production averaged 1.5 mbpd in 2024. Achieving this target will require addressing security concerns in the Niger Delta, tackling crude oil theft, and ensuring improved investment in the sector. If these structural issues persist, actual production may fall short of the target, affecting projected revenue from oil exports.

EXCHANGE RATE

The budget assumes an average exchange rate of ₦1,500 per US dollar, reflecting an expected appreciation from the ₦1,429/US$1 rate recorded in 2024. While the government aims to stabilise the Naira through increased foreign exchange inflows and structural economic adjustments, this assumption appears optimistic, given Nigeria's ongoing forex challenges.

The Naira's performance will depend on several factors, including:

- Improved export earnings from oil and non-oil sectors
- Increased foreign direct investment (FDI) and remittances
- Policy measures to boost forex reserves and manage external debt repayments

Without fundamental reforms to enhance forex liquidity, stabilising the exchange rate at ₦1,500/US$1 may prove difficult, especially if external reserves remain under pressure.

INFLATION RATE

The 2025 budget projects an inflation rate of 15.0 percent, a significant reduction from the 33.2 percent recorded in 2024. While lower inflation is crucial for economic stability and consumer purchasing power, achieving this target will require:

- Stabilising the exchange rate to reduce imported inflation
- Addressing supply-chain disruptions
- Enhancing domestic food production to curb food price inflation
- Controlling fiscal spending to prevent excessive liquidity in the economy

Given that recent inflationary pressures have been largely driven by non-monetary factors, such as fuel subsidy removal, high transportation costs, and forex volatility, reducing inflation to 15.0 percent may be difficult unless these structural issues are effectively addressed.

BUDGET DEFICIT AND FINANCING

The 2025 budget outlines a deficit of ₦13.08 trillion, equivalent to 3.9 percent of its 2025 projected GDP. This deficit is expected to be financed through a combination of:

- Domestic and foreign borrowing
- Revenue from government-owned enterprises
- Sales of public assets

While borrowing remains a critical tool for financing government expenditure, rising public debt raises concerns about fiscal sustainability. The government must prioritise debt management strategies to avoid excessive interest payments that could crowd out developmental spending. Additionally, improving revenue generation—through tax reforms, customs efficiency, and non-oil sector growth—will be key to reducing the fiscal deficit.

2025 BUDGET FRAMEWORK: THE SPENDING PLAN IN NUMBERS

President Bola Tinubu has officially signed the ₦54.99 trillion 2025 Appropriation Bill into law, marking about 63.7 percent increase from the ₦35.1 trillion budget for 2024. This substantial expansion follows the National Assembly's approval of an amended budget version, which was initially proposed at ₦49.7 trillion in December 2024. The budget's increase is attributed mainly to projected revenue growth, with expected contributions of ₦1.4 trillion from the Federal Inland Revenue Service (FIRS), ₦1.2 trillion from the Nigeria Customs Service (NCS), and ₦1.8 trillion from various government-owned agencies.

The 2025 budget, dubbed "The Restoration Budget: Securing Peace, Building Prosperity", outlines a strategic plan to restore macroeconomic stability, promote inclusive growth, and enhance human capital development. The total expenditure of ₦54.99 trillion is allocated as follows:

- ₦3.65 trillion for statutory transfers,
- ₦13.59 trillion for recurrent (non-debt) spending,
- ₦23.44 trillion for capital expenditure, and
- ₦14.42 trillion for debt servicing.

The budget also projects a deficit of ₦13.08 trillion, equivalent to 3.9 percent of 2025 projected GDP, which is to be financed through bond issuance, loans, and asset sales.

While the increased spending is intended to stimulate economic growth, create jobs, and reduce poverty, concerns remain about fiscal sustainability amid constrained revenue growth, reliance on oil revenue, and the depreciation of the Naira, which has increased import costs and debt obligations. To address these challenges, policymakers must prioritise revenue diversification, debt sustainability, and targeted social spending while stabilising the exchange rate and curbing inflation to restore macroeconomic stability.

THE 2025 FGN APPROVED BUDGET

Key Assumptions:

OIL PRODUCTION (mbpd)	Exchange Rate (N/$)	Inflation (%)
2.06 mbpd	N1500/US$	15%

Budget Framework:

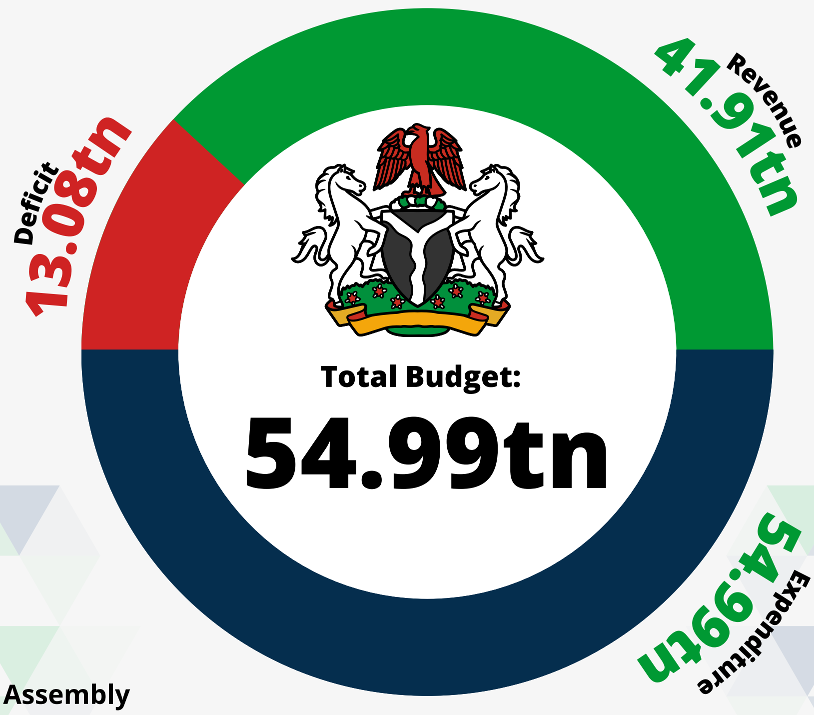
Revenue:

FGN Share of Net Federation Revenues	Independent Revenues	Other Revenues
27.49tn	3.47tn	10.95tn

Expenditure:

Statutory Transfer	Recurrent (Non-Debt)	Capital Expenditure	Debt Service
3.65tn	13.59tn	23.44tn	14.32tn

Total of expenditure (N55.0 trn) section is affected by round-up of numbers



Unit in NGN
Source: **National Assembly**

SECTORAL ANALYSIS: KEY DIMENSIONS OF THE 2025 BUDGET

The Federal Government of Nigeria's (FGN) 2025 budget is set at N54.99 trillion, reflecting a strategic approach to addressing the country's economic, social, and governance challenges.

According to the FGN, the 2025 budget, titled "The Restoration Budget: Securing Peace, Building Prosperity", outlines a strategic plan to restore macroeconomic stability, promote inclusive growth, and enhance human capital development.

Thus, the intermediate targets would be that the budget should foster a conducive investment climate, ensure food security, and to improve safety and security to promote balanced and inclusive economic growth.

Therefore, our sectoral analysis of the FGN 2025 budget will examine how the government prioritises these focal areas and the expected outcomes that align with the budget's restoration objectives.

<table>
<tr><th>AGRICULTURE</th><th>INFRASTRUCTURE</th></tr>
<tr><td>Will 2025 FGN budget facilitate achieving food security by:
Reduce post-harvest losses by 50 percent
Double Nigeria's storage capacity
Increase the volume of production of top 5 food crops by 20 percent
Reduce food imports by 50 percent</td><td>Will the fiscal allocation to core infrastructure-building ministries support achieving the following?
Double the tonnage being transported via railway lines by 2026
Ensure full operationalisation of the concession of the 7 highways in HDMI
National single window to be operational by 2025</td></tr>
<tr><th>TECHNOLOGY</th><th>ENERGY</th></tr>
<tr><td>Will the budget strengthen the technology sector to achieve:
Increase real GDP of the ICT sector by 20 percent
Automate at least 40 percent of citizen and business interactions with the government
Land registry
E-gate at airports
Passport renewal
Company registration
Broadband proliferation of 70 percent in 2026.</td><td>Will the budget provide an avenue for Nigeria's energy sector to achieve:
Metering of eligible customers to get to 90 percent
National/mini-grid power evaluation to improve to 10000 megawatts by 2026
Crude oil production of 2.5 million barrels per day by 2026 (excluding condensates)
Achieve a 40 percent increase in gas production by 2026, leveraging existing assets.</td></tr>
</table>

OTHER KEY ECONOMIC GROWTH-FACILITATING COMPONENTS OF THE 2025 FGN BUDGET	
Economic Growth and Development These activities aim to strengthen economic institutions to support economic growth by expanding industrial and investment activities, including FDI, in key sectors like manufacturing, ICT, and other production-supporting sectors.	**Human Capital Development** Improving the human capital stock by expanding access to education, upskilling the workforce, and revitalising the health sector to maximise the country's human capital potential.
Social Development This component would enhance social safety nets by alleviating multidimensional poverty and improving social welfare, focusing on people with disabilities and marginalised groups.	**Public Administration** This budget component is designed to enhance the country's civil service, enabling it to effectively support the government in achieving its institutional governance and reform objectives.

AGRICULTURE

The 2025 budget underscores Nigeria's urgency in tackling food insecurity, allocating a bold ₦2.23 trillion to the Agriculture sector. This investment aims to strengthen food systems, boost agricultural productivity, and address hunger—a crucial step amid rising living costs and ongoing climate change, conflict, and global supply chain disruptions.

The sector's budgetary allocation surged to ₦2.23 trillion in 2025, a staggering 123 percent increase from ₦996.90 billion in 2024 and more than five times the ₦344.69 billion in 2023. This sharp rise signals a deliberate push to expand food production, mechanise farming, and invest in agro-industrial infrastructure to curb persistent food shortages.

In addition, the newly created Federal Ministry of Livestock Development received ₦12 billion, with 85 percent of the ministry's total budget allocated to capital expenditures. The ministry's funding targets include developing ranching infrastructure, disease control, and sustainable grazing to boost livestock productivity and mitigate farmer-herder conflicts that threaten Nigeria's food supply chain.

Crucially, about 92.8 percent (approximately ₦2.07 trillion) of the Agriculture sector's ₦2.23 trillion budget is earmarked for capital projects, signalling a shift from recurrent spending to growth-driven investments. Capital funding will focus on:

- Expanding irrigation to reduce reliance on rain-fed agriculture and mitigate climate risks.

Top Projects Across MDAs in the Agricultural Sector (FGN 2025 Budget):

1. Federal Ministry of Agriculture and Food Security

Code:
ERGP5234081
Line Item:
Renewed Hope Fertilizer Support Program (RH-FSP)
Amount:
₦127,272,727,273

Code:
ERGP5234138
Line Item:
Multilateral/Bilateral Tied Loan - Special Agro Industrial Processing Zones (SAPZ)
Amount:
₦111,587,052,417

Code:
ERGP20253630
Line Item:
Construction of School of Veterinary and Medical Laboratory in Kaduna State (Multiple Lots)
Amount:
₦10,000,000,000

- Establishing agro-processing zones to enhance value addition, extend shelf life, and curb post-harvest losses.
- Developing storage facilities and rural road networks to improve market access and stabilise food prices.

Table 1: Allocation for Agriculture Sector in 2025 Budget

Ministry	Total Allocation (₦)	Share of Capital Expenditure (%)
Federal Ministry of Livestock Development	12,000,000,000	85.0
Federal Ministry of Agriculture and Food Security	2,218,440,199,08	93.0

Despite these bold investments, Nigeria's agricultural budget remains below global benchmarks. The Maputo Declaration, which commits African Union nations to allocate at least 10 percent of their national budgets to agriculture, sets a critical standard. With Nigeria's total 2025 budget at ₦54.99 trillion, the ₦2.23 trillion allocation accounts for just 4.1 percent of total spending, far below the 10 percent (₦5.5 trillion) required to meet the Maputo target. This ₦3.27 trillion gap underscores the need for increased funding and more efficient spending. Nigeria can learn from Ethiopia and Rwanda, which have consistently met the Maputo threshold by investing in climate-resilient farming, supporting smallholder farmers with credit and technology access, and fostering public-private partnerships in agriculture.

As food prices soar and climate change intensifies, Nigeria's fight against food insecurity must go beyond budgetary allocations. A coordinated approach is essential, combining robust investments with policy reforms such as expanding social safety nets for vulnerable populations, incentivising local food production, and creating an enabling environment for agribusinesses. At the same time, the emphasis on capital projects signals a long-term vision for agricultural transformation. However, to fully counter the threats of hunger and malnutrition, Nigeria must not only meet global benchmarks like the Maputo Declaration but also ensure that every Naira invested delivers tangible, measurable impacts from the most miniature rural farm to the largest agro-industrial hub.

2. Federal Ministry of Livestock Development

Code:
ERGP5230810
Line Item:
Provision of Solar Powered Boreholes in Livestock Producing Communities in 30 Federal Constituencies of Nigeria
Amount:
₦600,000,000

Code:
ERGP5231057
Line Item:
Procurement of 10 Nos of Four-Wheel Drive Vehicles and 2 Nos 18 Seater Buses for Headquarters and Zonal Field Offices
Amount:
₦370,000,000

Code:
ERGP5229685
Line Item:
Support for the Establishment and Rehabilitation of Ranches in Adamawa, Lagos, Imo, Cross River, Taraba, Kebbi, and Ogun States
Amount:
₦315,000,000

INFRASTRUCTURAL DEVELOPMENT

Infrastructure remains a cornerstone of Nigeria's economic development, driving sectoral growth and boosting productivity. The 2025 budget allocates ₦6.96 trillion (12.7 percent of the total budget) to infrastructure, covering construction, rehabilitation, and maintenance of essential systems like roads, power, water and telecommunications., underscoring the government's commitment to modernising critical infrastructure and addressing long-standing deficits. For this report, telecommunications and power are excluded from items classified under infrastructure to maintain the framework established earlier in this section.

A clear upward trend is evident in infrastructure allocations from 2024 to 2025. The Federal Ministry of Works saw its budget increase from ₦1.03 trillion in 2024 to ₦2.21 trillion in 2025, effectively doubling its allocation, emphasising the government's renewed focus on improving road networks, critical to domestic trade and economic competitiveness.

Table 2: Allocation for Infrastructure Sector in 2025 Budget

Ministry	Total Allocation (₦)	Share of Capital Expenditure (%)
Federal Ministry of Works	2,214,525,144,840	97.9
Federal Ministry of Transport	300,414,154,924	88.9
Federal Ministry of Housing & Urban Development	146,163,691,891	93.2
Federal Ministry of Marine & Blue Economy	38,329,890,329	93.3
Federal Ministry of Aviation & Aerospace Development	113,194,496,365	88.6
Infrastructure Concession Regulatory Commission	3,189,155,362	33.5

Top Projects Across MDAs in Infrastructural Development (FGN 2025 Budget):

1. Federal Ministry of Transport

Code: ERGP13234125
Line Item: Counterpart Funding for Lagos Green Line Metro Rail Phase 1 (Transfer to MOFI)
Amount: ₦146,141,117,570

Code: ERGP13177707
Line Item: Completion of Abuja-Kaduna Railway, Lagos-Ibadan Railway, Itakpe-Ajaokuta Rail Line, and other railway projects
Amount: ₦41,487,606,111

Code: ERGP13102578
Line Item: Provision of Electrical Power Supply, Water Supply, and Protective Fences for Itakpe-Ajaokuta-Aladja Railway System
Amount: ₦4,035,365,460

2. Federal Ministry of Works

Code: ERGP12234171
Line Item: Multilateral/Bilateral Tied Loan - Construction of Lafia Road and Dualisation of 9th Mile (Enugu)-Otukpo-Makurdi-Keffi Road
Amount: ₦152,241,455,205

Code: ERGP202699047
Line Item: Construction/Rehabilitation of Odukpani-Itu-Ikot Ekpene Road
Amount: ₦25,000,000,000

Code: ERGP12154836
Line Item: Maintenance of Zaria-Pambeguwa Road, Kaduna State
Amount: ₦21,000,000,000

Transportation saw a significant increase from ₦1,10.06 billion in 2024, while Water Resources, previously allocated ₦296.64 billion, also received a boost, signalling a broader push for critical infrastructure development. Instructively, the capital component of these ministries' expenditure for the year was an average of 82.6 percent. This level of deployment of funds for the installation of physical infrastructural facilities is notably unprecedented.

Despite the increased funding, Nigeria's infrastructure budget remains modest by global standards. For instance:

- South Africa allocates around 30 percent of its annual budget to infrastructure.
- India's capital expenditure on infrastructure is about 3.3 percent of GDP.
- Nigeria's infrastructure budget, at approximately 12.7 percent of the total ₦54.99 trillion budget, underscores the need for increased investments, particularly in transportation and others, key sectors for economic expansion and Foreign Direct Investment (FDI) attraction.

Moreover, Nigeria's overall infrastructure spending remains below the World Bank's recommended 4.5–5 percent of GDP for developing economies.[18] In 2025, the country has allocated only 2.1 percent of its 2025 projected GDP to infrastructure, significantly below the global benchmark. This shortfall highlights the pressing need to increase capital investments and strengthen public-private partnerships to bridge the infrastructure gap.

TECHNOLOGY

The Nigerian government's 2025 budget underscores a strategic commitment to fostering economic growth and innovation, emphasising Science, Technology, and Innovation (STI). The budget has earmarked a total of ₦1.15 trillion for STI, reflecting Nigeria's drive towards digital transformation, fintech expansion, and artificial intelligence (AI) development. This significant allocation to technology in the budget aligns with global trends and ensures competitiveness in the global knowledge economy. Furthermore, with the increasing relevance of technology in governance, commerce, education, and security, this level of investment in science, technology and innovation is expected to drive digital innovation, support startups, and enhance Nigeria's capacity in emerging fields like AI, blockchain, and biotechnology.

18 International Finance Cooperation (IFC). 2020. Creating Markets in Nigeria: Crowding in the Private Sector: Nigeria's Path to Faster Job Creation and Structural Transformation available via https://documents1.worldbank.org/curated/en/791981613750124789/pdf/Crowding-in-the-Private-Sector-Nigeria-s-Path-to-Faster-Job-Creation-and-Structural-Transformation.pdf

3. Federal Ministry of Housing and Urban Development

Code:
ERGP20253685

Line Item:
Construction of Court of Appeal with Judicial Officers' Residence in Bende (Lots 1 & 2)

Amount:
₦5,000,000,000

Code:
ERGP20261311

Line Item:
Payment for Multiple Contracts (various housing-related projects)

Amount:
₦4,988,780,479

Code:
ERGP27226717

Line Item:
Payment of Outstanding Liabilities for National Housing and Prototype Housing Projects

Amount:
₦4,000,000,000

Table 3: Allocation for Technology Sector in 2025 Budget

Ministry	Total Allocation (₦)	Share of Capital Expenditure (%)
Federal Ministry of Science, Technology & Innovation	1,148,275,939,937	92.8
Federal Ministry of Communications & Digital Economy	463,567,362,667	92.7

Despite the ambitious allocation to STI, several critical gaps in the required investment versus actual budgetary allocation could hinder the practical realisation of its intended benefits. Though ₦1.15 trillion (0.3 percent of 2025 projected GDP) budgetary allocation is substantial, this is significantly below the global benchmark of 1 percent of the country's GDP (₦26.9 trillion). Countries like South Korea and China allocate over 4 percent of their GDP to innovation, while Nigeria's R&D spending remains under 0.5 percent.

Another pressing challenge is the migration of skilled professionals, particularly software engineers, and other technicians and scientists. Without targeted incentives and a conducive environment such as competitive salaries, funding for research, and career development opportunities, Nigeria risks losing its top talents to countries with more attractive technology ecosystems. Additionally, many of Nigeria's technology infrastructure and software solutions are imported, leading to capital flight and a continued reliance on foreign technology providers. Of this dependence, foreign companies would receive most of the budgetary allocation to capital expenditure in technology ministries.

ENERGY

A substantial portion of the additional 5.25 trillion to the 2025 budget is directed towards the Ministry of Power, which has seen its allocation rise from ₦418.37 billion in 2024 to ₦1.90 trillion in 2025. This remarkable increase underscores the government's renewed focus on critical infrastructure sectors, particularly electricity supply. These areas are pivotal, considering Nigeria's historically unreliable power supply, with only about 60.5 percent[19] of the population having consistent access to electricity.

The Ministry of Power's 2025 budget is strategically allocated to various initiatives to enhance Nigeria's electricity infrastructure. Approximately ₦810 billion is set aside to fulfil funding obligations for the US$1.74 billion World Bank Power Sector Recovery Programme (PSRP) and the US$2.62 million Distribution Sector Recovery Programme (DISREP). The DISREP is specifically designed to improve electricity distribution companies' technical and financial performance while facilitating the installation of 3.2 million meters nationwide.

19 World Bank. 2024. World Development Indicator Database. Access to electricity (% of population) - Nigeria | Data

Table 4: Allocation for Energy Sector in 2025 Budget

Ministry	Total Allocation (₦)	Share of Capital Expenditure (%)
Federal Ministry of Power	1,895,782,043,711	27.2
Federal Ministry of Water Resources	638,614,188,592	9.2

In addition to these commitments, ₦269.74 billion has been designated for special intervention projects within the power sector. These projects are expected to address critical infrastructure deficits and enhance electricity distribution nationwide. Further allocations include ₦47.35 billion for constructing transformers and substations, a crucial investment to strengthen the transmission network and minimise technical losses. Likewise, ₦36.82 billion has been earmarked as counterpart funding for essential transmission lines and substation projects, vital for ensuring efficient power delivery.

A key component of the budget is the ₦150 billion allocated for the Presidential Power Initiative (PPI), a project designed to modernise and expand Nigeria's power grid. Launched in 2018 with support from the German government, the PPI is being implemented in three phases. The first phase focuses on increasing operational capacity to 7 Gigawatts (GW) through substation upgrades, the installation of new transformers, and deploying smart metering systems. The second phase aims to boost transmission and distribution capacity to evacuate up to 11 GW of electricity to end-users. Finally, the third phase plans to expand the power grid's capacity to 25 GW by improving generation, transmission, and distribution infrastructure.

Additional Investments and Initiatives

Beyond the allocations above, the government has outlined several other initiatives to bolster the power sector:

- Mini-Grids in Educational Institutions: ₦24 billion is proposed to provide mini-grids in federal and state polytechnics nationwide to ensure reliable power supply in educational institutions.
- Solar Street Lights: ₦24.7 billion is allocated for installing solar streetlights along major highways, enhancing safety and reducing the reliance on grid power for street lighting.
- Advocacy Against Vandalism: ₦8.1 billion is set aside for advocacy, public enlightenment, and orientation campaigns to combat vandalisation of power assets, a significant issue affecting infrastructure integrity.[20]

Nigeria has historically faced challenges in implementing power sector budgets due to bureaucratic inefficiencies, corruption, and delays in project execution. While the 2025 budget signals a strong commitment to improving the power sector, it lacks a clear accountability framework to ensure the timely and transparent execution of projects. Without robust monitoring mechanisms, there is a significant risk of fund misallocation, project abandonment, and the underperformance of planned initiatives.

20 https://punchng.com/n8bn-budget-allocation-for-anti-vandalism-advocacy-says-adelabu/

Additionally, the budget does not adequately address electricity tariff reforms, which are crucial for establishing cost-reflective pricing and attracting private-sector investment. Due to non-cost-reflective tariffs and poor revenue collection, many power distribution companies (DisCos) operate at a loss. Without necessary reforms to enhance the sector's financial sustainability, the impact of increased budget allocations may be limited as power entities grapple with liquidity crises and operational inefficiencies.

OTHER KEY ECONOMIC DEVELOPMENT FACILITATING COMPONENTS OF THE 2025 FGN BUDGET

ECONOMIC GROWTH AND DEVELOPMENT

This section examines the budgetary allocations to six key ministries—the Federal Ministry of Finance, Federal Ministry of Budget and Economic Planning, Federal Ministry of Industry, Trade, and Investment, Federal Ministry of Petroleum Resources, Federal Ministry of Mines and Steel Development, and Federal Ministry of Solid Minerals Development—while assessing the broader economic implications of capital and recurrent spending.

The Federal Ministry of Finance is responsible for Nigeria's fiscal policies, revenue generation, and public financial management. Funding for the ministry is mainly recurrent expenditures, such as administrative costs, personnel salaries, policy implementation, and capital expenditures to improve financial infrastructure and enhance revenue collection mechanisms.

Adequate funding for the ministry is crucial for fiscal oversight, debt management, and efficient tax collection, all of which contribute to macroeconomic stability. A well-resourced finance ministry can strengthen investor confidence by ensuring sound fiscal policies that reduce economic volatility. Additionally, investments in modern financial technology, automation of tax collection, and enhanced auditing systems can improve transparency, minimise leakages, and boost government revenue.

Table 5: Allocation for Economic Institution in 2025 Budget

Ministry	Total Allocation (₦)	Share of Capital Expenditure (%)
Federal Ministry of Finance,	15,527,444,750,439	7.4
Federal Ministry of Budget and National Planning	6,780,638,870,299	47.1
Federal Ministry of Industry, Trade, and Investment	110,074,134,724	71.9
Federal Ministry of Petroleum Resources	63,587,280,680	27.0
Federal Ministry of Mines and Steel Development	25,487,781,948	38.4
Federal Ministry of Solid Minerals Development	217,058,545,378	96.9

The Federal Ministry of Budget and Economic Planning, which coordinates the national budget process and sets Nigeria's economic agenda, has been allocated ₦6.78 billion in the 2025 budget. A large portion of this allocation is expected to fund recurrent expenditure, such as staffing and operational costs. However, capital investments in data management systems, economic modelling tools, and planning infrastructure can significantly enhance Nigeria's ability to make data-driven economic decisions.

The ministry can ensure public investments are directed towards high-impact projects by improving economic forecasting and budgetary oversight. This will help reduce inefficiencies, promote fiscal discipline, and support long-term economic growth. Strengthening Nigeria's budgetary framework will also improve transparency and accountability, fostering confidence among local and international investors.

The Federal Ministry of Industry, Trade, and Investment, responsible for promoting industrialisation, trade expansion, and foreign direct investment (FDI), has been allocated ₦110.07 billion in the 2025 budget. This funding will support recurrent expenditures (such as administrative operations and policy development) and capital investments (such as infrastructure for industrial parks, trade facilitation, and investment promotion initiatives). To enhance Nigeria's manufacturing sector and global trade competitiveness, capital allocations will support the development of industrial parks, export-processing zones, and trade corridors. These investments will help lower business costs, encourage entrepreneurship, and create thousands of jobs. Furthermore, this ministry is crucial in maximising Nigeria's African Continental Free Trade Area (AfCFTA) participation. With strategic investments, Nigeria can increase its exports, reduce import dependency, and position itself as a key African trade hub.

The Federal Ministry of Petroleum Resources oversees Nigeria's oil and gas sector and has been allocated ₦63.59 billion in the 2025 budget. Recurrent expenditures will cover regulatory oversight, administrative functions, and policy coordination, while capital allocations are expected to support oil pipeline networks, refinery upgrades, and gas exploration projects.

Strategic investments in oil production infrastructure will help increase Nigeria's refining capacity, reduce dependence on imported petroleum products, and improve domestic fuel supply. Funding for clean energy research, gas expansion projects, and renewable energy integration aligns with global energy transition trends, ensuring Nigeria remains competitive in the evolving global energy landscape. Nigeria's heavy reliance on crude oil revenue remains challenging despite these investments. Long-term sustainability in the oil sector will depend on revenue diversification, enhanced governance mechanisms, and stronger anti-corruption measures to minimise leakages.

The Federal Ministry of Steel Development has been allocated ₦25.49 billion, with ₦9.78 billion (38.4 percent) earmarked for capital projects. This funding is partly intended to support the long-anticipated revitalisation of the Ajaokuta Steel Company—a massive industrial complex with the potential to significantly reduce Nigeria's steel import bills, stimulate job creation, and drive industrial growth. However, given the capital-intensive nature of steel manufacturing, which demands substantial upgrades in plant machinery, energy infrastructure, and transport networks, this funding level appears modest and may struggle to overcome decades-long stagnation at Ajaokuta.

In contrast, the Federal Ministry of Solid Minerals Development has received a markedly higher allocation of ₦217.06 billion, with an overwhelming 96.9 percent (₦210.33 billion) devoted to capital expenditure. This robust focus on capital projects signals the government's strong commitment to developing Nigeria's non-oil mineral resources, such as gold, lithium, and other strategic minerals. Targeted investments in exploration capacity, mining infrastructure, and regulatory enhancements are designed to unlock the sector's potential, diversify government revenue away from crude oil dependency, and attract foreign direct investment. This strategic emphasis aims to position Nigeria as a competitive player in the global mining industry.

Together, these allocations reflect divergent approaches in two critical sectors: while the steel sector receives moderate funding that may fall short of transformative investment, the solid minerals sector is clearly prioritised with an aggressive capital investment strategy. This indicates a broader governmental intent to drive economic diversification and industrial growth through targeted, long-term investments. Key initiatives include exploring strategic minerals such as gold, lithium, and rare earth metals, with the clear goal of positioning Nigeria as a competitive player in the global mining industry by expanding exploration capacity, improving geological data, and attracting foreign direct investment (FDI).

However, a pressing challenge that looms over the sector is the proliferation of illegal mining activities. Despite its mineral wealth, Nigeria loses billions of naira annually to unregulated mining operations driven by poor oversight, weak enforcement of mining laws, and the lure of quick profits in the informal mining economy. Artisanal and small-scale miners, who often lack licenses, exploit valuable resources such as gold in Zamfara and Katsina states with little regard for environmental degradation or worker safety. This not only robs the government of critical revenues but also fuels insecurity, as illicit mining is increasingly linked to funding criminal networks and violent groups.

The 2025 budget allocations to these six ministries reflect the government's commitment to economic diversification, fiscal stability, and industrial development. By prioritising capital investments, ensuring efficient budget implementation, and strengthening fiscal transparency, Nigeria can unlock new economic opportunities, drive sustainable development, and enhance its global competitiveness. However, achieving these goals requires robust governance structures, strong policy execution, and an unwavering focus on economic transformation.

SECURITY & DEFENCE

The Security & Defence sector received a total allocation of ₦6.21 trillion in Nigeria's 2025 budget, a 61.1 percent increase from the ₦3.85 trillion allocated in 2024. This sharp rise signals the government's escalating focus on tackling insurgency in the Northeast, banditry in the Northwest, and growing cyber and transnational crimes, reflecting the government's ongoing efforts to address the country's complex security challenges. This allocation is spread across key ministries and agencies, with the Ministry of Defence receiving the largest share ₦3.10 trillion, which accounts for approximately 49.8 percent of the total security budget. This significant allocation underscores the government's priority on strengthening military operations, particularly in counterterrorism efforts against Boko Haram and ISWAP insurgents in the Northeast, as well as combating banditry and other armed conflicts across the country.

Table 6: Allocation for Security & Defence in 2025 Budget

Ministry	Total Allocation (₦)	Share of Capital Expenditure (%)
Ministry of Defence	3,095,984,778,451	49.8
Federal Ministry of Interior	1,108,744,422,315	17.9
Federal Ministry of Police Affairs	1,311,867,188,105	21.1
National Security Adviser	690,838,286,849	11.1
Police Service Commission	2,557,791,967	0.04

Top Projects Across MDAs in the Security and Defence Sector

1. Ministry of Defence

Code:
ERGP27232400
Line Item:
Construction of Residential Accommodation for Officers and Soldiers across Nigerian Army Barracks
Amount:
₦63,148,140,000

Code:
ERGP14194490
Line Item:
Additional Payment for Procurement of Quantity 6 x T-129 Attack Helicopters, Weapons, and Spares
Amount:
₦39,461,001,353

Code:
ERGP14224388
Line Item:
Upgrade and Rehabilitation of Existing Barracks Infrastructure by Direct Labour
Amount:
₦10,409,979,855

Table 6 succinctly presents the distribution of Nigeria's 2025 security budget, but the strategic implications are what truly matter. While a substantial portion of the budget is dedicated to traditional military operations—particularly in counterterrorism efforts against Boko Haram and ISWAP insurgents in the Northeast, as well as combating banditry and other armed conflicts across the country—this heavy focus leaves gaps in other critical areas. For instance, despite robust allocations to the Ministry of Defence and the Federal Ministry of Police Affairs, the minimal funding provided to the Police Service Commission raises concerns about the capacity for effective oversight and the implementation of necessary security sector reforms.

Moreover, the Office of the National Security Adviser, with its allocation directed toward intelligence and cybersecurity, signals an awareness of evolving, non-traditional threats such as terrorism financing and cyber-attacks. However, the overall structure of the budget suggests a reactive approach that emphasizes visible military strength over proactive investments in modern surveillance systems and advanced intelligence infrastructure.

The budget highlights both opportunities and risks. While defence spending remains robust, the relatively lower allocations for intelligence services and police oversight suggest a more reactive security strategy. With Nigeria grappling with a complex mix of insurgency, banditry, and cyber threats, the budget's heavy tilt toward military operations may leave gaps in preventive strategies, such as intelligence gathering, among others. Additionally, the dominance of personnel costs across ministries, while necessary for maintaining security forces, calls for a parallel investment in technology, modern surveillance systems, and intelligence infrastructure to tackle evolving security challenges.

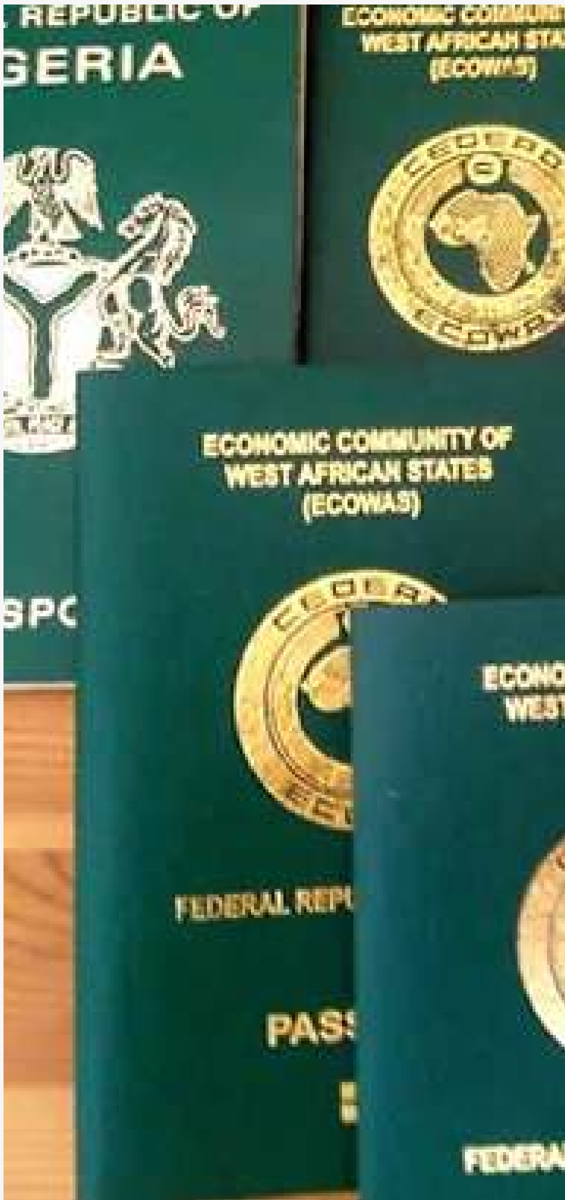
Ultimately, while the 2025 budget makes clear that national security remains a top priority, a more balanced approach is needed, one that funds military operations while strengthening intelligence systems, modernising policing, and fostering proactive security reforms.

2. Federal Ministry of Interior

Code:
ERGP14234154
Line Item:
Multilateral/Bilateral Tied Loan - Procurement of e-Border Solution for Nigeria Immigration Service
Amount:
₦400,629,709,813

Code:
ERGP22101448
Line Item:
Construction/Rehabilitation of Custodial Centres and Barracks Nationwide
Amount:
₦7,233,709,729

Code:
ERGP14101355
Line Item:
Construction of Command Office Complexes
Amount:
₦2,280,945,060



HUMAN CAPITAL DEVELOPMENT

Nigeria's 2025 budget allocates ₦5.44 trillion to Human Capital Development, spanning Education, Health, and Youth Development as vital pillars for fostering long-term economic growth and social stability. Education takes the largest share, receiving 47.7 percent (₦2.59 trillion), followed by Health at 43.7 percent (₦2.38 trillion), and Youth Development at 8.7 percent (₦471 billion).

A closer analysis reveals how these allocations are structured. Capital expenditure is essential for building infrastructure like schools, hospitals, and training centres, accounting for 36.2 percent of the education budget, signalling some effort to expand physical learning environments and digital resources. The health sector dedicates 47.2 percent of its budget to capital projects, pointing to investments in hospital facilities, medical technology, and public health programmes. In contrast, Youth Development allocates only 6.1 percent of its budget to capital spending, suggesting a focus on operational activities such as skills training and social programmes rather than long-term infrastructure investments.

Table 7: Allocation for Human Capital Development in 2025 Budget

Ministry	Total Allocation (₦)	Share of Capital Expenditure (%)
Federal Ministry of Education	2,594,910,121,858	36.2
Federal Ministry of Health and Social Welfare	2,376,837,008,012	47.2
Federal Ministry of Youth Development	471,123,886,215	6.1

Comparing the 2025 budget with the previous year highlights a mixed picture. Education's allocation has grown from ₦2.36 trillion in 2024 to ₦2.59 trillion in 2025, a 9.8 percent increase, yet capital expenditure has dropped from ₦1.15 trillion to ₦938.58 billion, reflecting an 18.1 percent decline. This signals a shift towards

3. Federal Ministry of Police Affairs

Code: ERGP4216239
Line Item: Construction in Erinjar: Fencing, Staff Quarters, Drainages, Sport Pavilion, Parade Ground, Solar Street Lights
Amount: ₦10,154,286,278

Code: ERGP23195363
Line Item: Safe School Intervention
Amount: ₦4,612,738,491

Code: ERGP4103135
Line Item: Annual Licensing, Internet Services Repair & Maintenance of Police Command & Control Centres
Amount: ₦4,373,450,812

recurrent spending, potentially hampering efforts to build and upgrade educational infrastructure, an area critical to addressing Nigeria's overburdened school system and rising student population.

Health funding shows a sharper rise, climbing from ₦1.48 trillion in 2024 to ₦2.38 trillion in 2025, a 60.5 percent increase. Encouragingly, capital expenditure has grown from ₦542.95 billion to ₦1.12 trillion, nearly doubling in the past one year. This suggests a renewed focus on strengthening healthcare infrastructure, an essential step in tackling systemic challenges such as overcrowded hospitals, outdated medical equipment, and limited rural healthcare access.

When paired against global benchmarks, these allocations highlight apparent gaps. UNESCO recommends that 15–20 percent of public expenditure be channelled into education, yet Nigeria's allocation amounts to just 4.7 percent of the total ₦54.99 trillion budget, significantly below the international standard. Similarly, the 2001 Abuja Declaration advises African nations to invest 15 percent of their national budgets in health, but Nigeria's allocation is a modest 4.3 percent. The limited funding for Youth Development is particularly striking given Nigeria's demographic realities. With over 70 percent of its population under 30 and youth unemployment hovering at concerning levels (6.5 percent as at Q22024), the current budget does not sufficiently prioritise investments in entrepreneurial hubs, vocational centres, or technology incubators, all crucial for empowering young Nigerians to drive innovation and growth.

Human Capital Development represents 9.9 percent of Nigeria's total 2025 budget. This underwhelming share raises concerns about the country's ability to harness its human potential, especially when contrasted with nations that have successfully linked strategic investments in education and health to higher productivity and sustained growth. For example, countries like South Africa and Kenya allocate approximately 16 percent and 13 percent of their budgets to education, acknowledging the sector's role in building a competitive workforce.

4. National Security Adviser

Code: ERGP14234197
Line Item: OPS NCIS
Amount: ₦150,000,000,000

Code: ERGP14130566
Line Item: Ongoing Construction/Upgrading of Medical Centre
Amount: ₦38,590,757,385

Code: ERGP202502461
Line Item: Procurement of Special Equipment for the Agency
Amount: ₦30,000,000,000

Ultimately, the 2025 budget's approach to Human Capital Development reflects a pattern of underinvestment, with allocations that fall short of global standards and Nigeria's own developmental needs. Without bolder commitments, the country risks stalling its progress toward inclusive growth, leaving critical sectors like education, health, and youth empowerment without the resources needed to unlock their full potential. Strengthening these areas will be essential for Nigeria's economic future and for fostering a resilient, innovative, and skilled population capable of navigating tomorrow's challenges.

SOCIAL DEVELOPMENT SECTOR

The Social Development sector in Nigeria's 2025 budget has been allocated a total of ₦1.82 trillion, signalling the government's intent to tackle poverty, inequality, and regional imbalances. However, a closer examination of the allocation reveals a significant disparity in how funds are distributed between capital projects, which drives long-term development and recurrent expenditure.

The Federal Ministry of Humanitarian Affairs and Poverty Alleviation received ₦600.77 billion, with ₦294.20 billion dedicated to capital projects. Nearly 49.0 percent of the ministry's budget is toward tangible investments to uplift vulnerable populations. These capital projects may include building resettlement centres, strengthening emergency response systems, and expanding social welfare initiatives. While this signals a strong commitment to addressing poverty, the key challenge will be ensuring that these funds translate into meaningful grassroots interventions rather than being absorbed by bureaucratic processes.

Top Projects Across MDAs in the Human Capital Development Sector (FGN 2025 Budget):

1. Federal Ministry of Education

Code:
ERGP23234142
Line Item:
Multilateral/Bilateral Tied Loan - Bilingual Education Project (UBEC)
Amount:
₦77,902,174,809

Code:
ERGP14194490
Line Item:
School Nutrition Feeding Primary School
Amount:
₦60,000,000,000

Code:
ERGP24234143
Line Item:
3 Multilateral/Bilateral Tied Loan - Better Education Service Delivery for All Additional Financing (BESDA AF-TESS)
Amount:
₦52,109,363,131

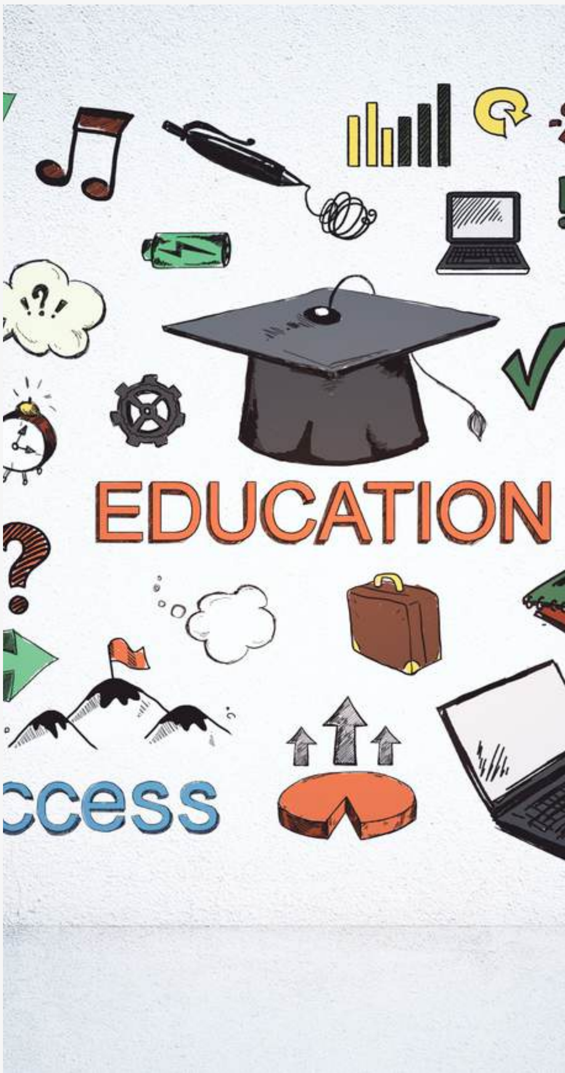


Table 8: Allocation for Social Development Sector in 2025 Budget

Ministry	Total Allocation (₦)	Share of Capital Expenditure (%)
Federal Ministry of Humanitarian Affairs & Poverty Alleviation	600,766,720,690	49.0
Federal Ministry of Regional Development	1,221,861,984,128	2.0
Federal Ministry of Women Affairs	122,917,792,893	95.3

In contrast, the Federal Ministry of Regional Development, despite being allocated a substantial ₦1.22 trillion, has only earmarked ₦24.88 billion for capital expenditure, a mere 2.0 percent of its total budget. This raises concerns about whether the ministry's spending priorities are overly skewed toward administrative costs and recurrent expenses rather than critical investments in infrastructure. Effective regional development hinges on strategic projects like building roads, expanding renewable energy access, ensuring water supply, and constructing climate-resilient infrastructure, all essential to unlocking economic opportunities in underserved regions. The current allocation suggests a missed opportunity to fund these transformative initiatives.

Capital expenditure across the Social Development sector is just 17.5 percent of the total allocation. This capital investment appears modest when placed against Nigeria's pressing socio-economic challenges, with 63 percent of the population, or 133 million people, living in multidimensional poverty and food insecurity remaining widespread.

From a global perspective, countries with strong social development frameworks tend to allocate a larger share of their social sector budgets to capital projects. International benchmarks show that countries like France dedicate 31.2 percent of GDP to public social spending, Germany commits 25.1 percent, and even the United States, with its market-oriented welfare system, spends 18.7 percent of GDP on public social programmes. While Nigeria's ₦1.95 trillion allocations represent, approximately 3.5 percent of its total 2025

2. Federal Ministry of Health and Social Welfare

Code:
ERGP25212109

Line Item:
Completion of Procurement of Cancer Equipment, Infrastructure and Training in Collaboration with NSIA in 6 Teaching Hospitals

Amount:
₦150,000,000,000

Code:
ERGP25233649

Line Item:
Drugs, Consumables, Equipment, Lab Reagents, Test Kits: Targeting 10 Million Vulnerable Nigerians

Amount:
₦38,590,757,385

Code:
ERGP202502636

Line Item:
Designing, Construction, Furnishing, Equipping, Supervision and Commission of the National Cancer Institute (NICRAT)

Amount:
₦30,000,000,000

budget of ₦54.99 trillion, it falls short of global best practices, which suggest that at least 20–30 percent of social development budgets should target capital investments to drive sustainable change.

Nigeria must shift from predominantly funding administrative functions to making bold, forward-thinking investments in social infrastructure to move forward. Building climate-smart facilities, expanding healthcare and education access, and supporting smallholder agricultural projects can create a ripple effect, empowering marginalised communities and fostering inclusive growth.

The 2025 budget allocation for the Federal Ministry of Women Affairs marks a dramatic shift, rising from ₦14.48 billion in 2024 to ₦122.92 billion, an eightfold increase. Notably, 95.3 percent of this allocation (₦117.17 billion) is directed toward capital expenditure, signalling a clear focus on infrastructure, vocational training centres, and economic empowerment programmes for women.

While this surge in funding suggests a renewed commitment to gender-related investments, critical gaps must be addressed. The sharp contrast between capital allocations and the minimal funding for personnel (2.0 percent) and overhead costs (2.7 percent) raises concerns about the ministry’s ability to implement and sustain these projects effectively. Gender-responsive budgeting requires more than physical infrastructure. It demands investments in human resources, monitoring systems, and social programmes directly impacting women's lives.

A crucial area that risks being overlooked is girl-child initiatives. Nigeria faces significant challenges in advancing girls' education, health, and protection, all essential to breaking the cycle of poverty and inequality. Without targeted funding for initiatives such as scholarship programmes, school infrastructure for girls, menstrual health support, and campaigns against child marriage, the benefits of capital projects may fail to reach the most vulnerable.

Furthermore, this budget must be seen in the context of Nigeria's standing in the Global Gender Gap Index 2023, currently ranked 123rd out of 153 countries. The country struggles with economic participation and political empowerment for women while investing in girls’ futures is one of the most effective ways to close this gap. Countries like Rwanda and Namibia, which rank higher in gender equality, have adopted integrated strategies combining infrastructure development with robust programmes that empower girls through education, mentorship, and skills training.

To ensure this surge in funding translates into meaningful progress, Nigeria must strike a balance:

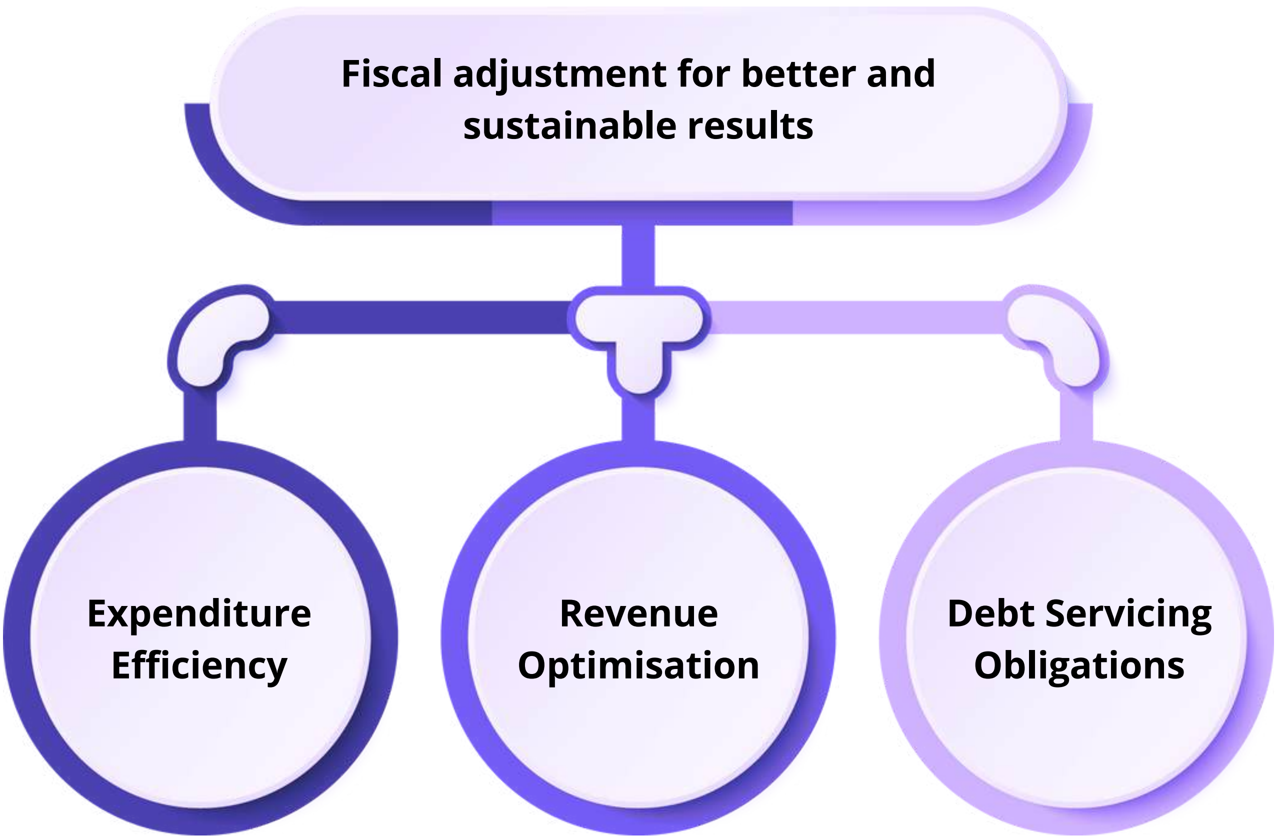
- Pair capital projects with human capital investments, such as expanding girl-child education programmes, supporting women’s entrepreneurship, and offering microcredit schemes.
- Strengthen girl-focused initiatives, providing safe learning environments, tackling gender-based violence, and promoting STEM education for girls.
- Enhance institutional capacity — increasing operational budgets to support project delivery, monitor progress, and gather gender-disaggregated data.

Ultimately, empowering women starts with investing in girls. A transformative budget will build physical structures and foster an enabling environment where girls can learn, grow, and lead, driving Nigeria closer to gender equality, reducing poverty, and ensuring inclusive growth.

CRITICAL FISCAL MANAGEMENT ISSUES WITH THE 2025 FGN BUDGET

A detailed analysis of the FGN's 2025 budget reveals several recurring themes that have persisted in appropriation acts since 2015. These longstanding issues have constrained the budget's effectiveness in stimulating economic growth and supporting productive activities. This review aims to examine these challenges and assess how much the 2025 budget has addressed them.

Fig. 4: Critical Issues in the FGN 2025 Budget



EXPENDITURE EFFICIENCY

Our assessment of the Federal Government of Nigeria's (FGN) budget over the past decade highlights persistent structural rigidity in the annual appropriation bill. Approximately 60 percent of Nigeria's public expenditure is allocated to debt servicing, civil service wage payments, and other overhead costs. This limits the government's fiscal flexibility to address emerging development challenges or create economic buffers to support productive activities in times of unexpected shocks.

Public investment is often treated as a residual budget item, receiving only leftover funds, which disrupts the execution of multi-year infrastructure and social programmes. In 2025, this pattern persisted, albeit at a reduced scale, despite the notable increase in budget size compared to 2024. A sum of ₦27.96 trillion (50.8 percent) was allocated to recurrent expenditure (debt service and non-debt recurrent spending). While the allocation of 49.2 percent to capital expenditure—including public investments and critical social infrastructure—is commendable, it remains insufficient given the country's vast infrastructure deficit. There is a pressing need to further increase capital spending share and absolute size to effectively bridge Nigeria's current infrastructure gap.

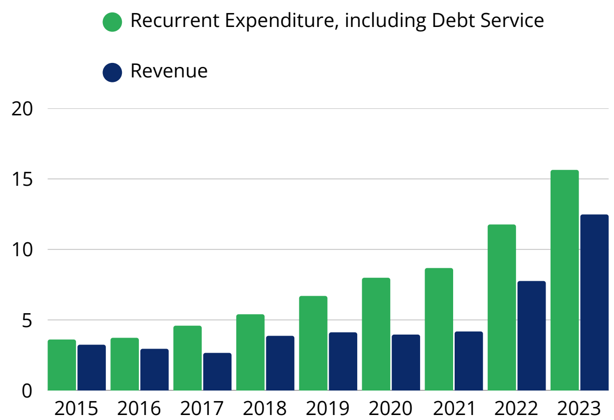
Low investment in human capital is another critical issue noted with the federal government's spending. Accommodating about 230 million inhabitants and a rapidly growing population, Nigeria seems to have a problem of inadequate public spending allocation per capita. 2025 budget at N54.99 trillion (US$36.7 billion),[21] this translates to N239,087 (US$159.4) per annum for every Nigerian resident. This level is far below comparator countries such as South Africa (US$1,957 per capita) and around US$800 per resident in other comparator peers.

Moreover, budget allocations for key social services remain insufficient. The federal government allocated only ₦2.38 trillion (US$1.49 billion) to health services and less than ₦2.59 trillion (US$1.62 billion) to education services, highlighting a severe shortfall in funding critical sectors. These figures indicate that Nigeria's budgetary provisions are grossly inadequate to address pressing social and infrastructure needs.

REVENUE OPTIMISATION

Since the 2015–16 fiscal crisis, Nigeria has struggled with persistent revenue shortfalls, making it difficult to fully fund recurrent expenditures, including debt and non-debt obligations. The crisis, triggered by a sharp decline in global oil prices, exposed Nigeria's heavy reliance on oil revenue, historically accounting for over 60 percent of government revenue and 90 percent of export earnings. The downturn led to a significant contraction in government revenue, forcing the country to rely heavily on deficit financing to sustain public spending.

Fig. 5: Actual FGN Revenue & Recurrent Expenditure Performance (NGN'Trillion)



21 Exchange rate used was N1600/US$1

Between 2015 and 2022, Nigeria's revenue-to-GDP ratio remained one of the lowest in the world, averaging below 7 percent, compared to the Sub-Saharan African average of around 15 percent. The combination of low tax revenues, due to a narrow tax base, high levels of informality, and weak enforcement, along with volatility in oil prices constrained the government's ability to fund critical sectors. Despite several attempts at fiscal reforms, including implementing the Finance Act and efforts to increase non-oil revenue through VAT and excise duty adjustments, revenue mobilisation remained sluggish.

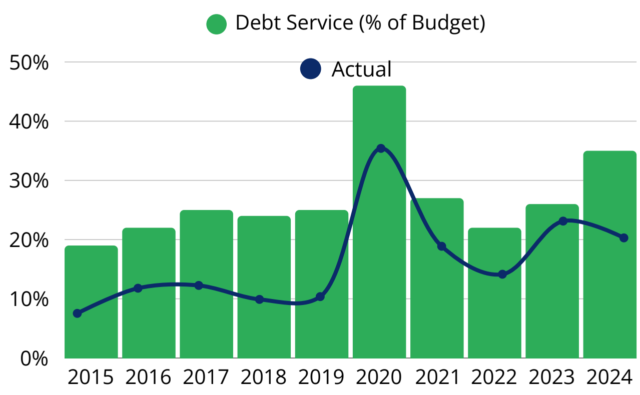
By 2023 and 2024, Nigeria's revenue performance improved, driven by policy measures such as removing the fuel subsidy, exchange rate unification, and improving tax administration. However, rising debt service costs partially offset these gains, which consumed a significant portion of government revenues. The country's debt-service-to-revenue ratio peaked at over 84.7 percent in 2020, leaving little room for productive spending. This year (2025) appears to be a significant shift in revenue and expenditure dynamics. Nigeria is projected to generate ₦41.91 trillion in revenue, surpassing recurrent expenditure at ₦37.03 trillion. This marks a potential turning point, indicating an improved fiscal outlook. However, structural challenges remain, as total spending still exceeds revenue, necessitating continued deficit financing.

DEBT SERVICING OBLIGATIONS

As noted with previous years' budgets, the 2025 FGN budget also sustained the trend of high debt service, accounting for 24.4 percent of the total budget. For Nigeria, debt service payments have reached a critical threshold, as the nation cannot sustain allocating more than one-fourth of its annual budgetary allocation to repaying loans accrued due to a high fiscal deficit. Going by the 2025 budgetary allocation, the government is anticipating spending N32.13 out of every N100 earned on debt servicing, and this might potentially exceed expectations as notable with budget performance in the last decade.

Nigeria's debt servicing obligations have significantly increased, albeit volatile, in the past decade, reflecting a sharp increase in public borrowing to finance the annual budget deficit. The country's fiscal deficits widened due to stagnant poor revenue performance, rising debt obligations, and increasing interest costs amid heightened global and domestic uncertainties. Without significant improvements in revenue mobilisation and fiscal discipline, Nigeria's high debt servicing costs will continue to constrain economic growth and limit resources for essential public investments.

Fig. 6: Annual FGN Debt Service (Actual) as Share of Total Budget



In 2020, Nigeria's debt servicing burden reached a historical high of N5.24 trillion, which amounted to about 84.7 percent of federal government revenue, while its share of revenue eased significantly to 52.5 percent in 2024 (first eight months), the value increased to 10.01 trillion in the first eight months of 2024. The ease of debt service (as a share of FGN revenue) in 2024 is due to fuel subsidy reforms and the stoppage of other direct deductions on government revenue in the country.

Key Drivers of Nigeria's Growing Debt Service Costs

The following are noted drivers of Nigeria's ballooning debt servicing obligations.

- **Stagnant revenue performance:** Despite various tax reforms and revenue mobilisation efforts, government earnings remain weak relative to expenditure needs. The tax-to-GDP ratio remains low at about 10 percent, compared to an African average of 16-18 percent.
- **Rising debt obligations:** ·Nigeria's total public debt increased from ₦12.6 trillion in 2015 to ₦144.7 trillion in 2024, reflecting continuous reliance on borrowing to finance budget shortfalls.
- **High-interest costs:** The government's increased reliance on costly domestic borrowings and foreign loans at commercial rates has driven up interest expenses, further tightening fiscal space.
- **Global and domestic uncertainties:** Currency depreciation, inflationary pressures, and external shocks have raised borrowing costs and increased debt service obligations.

The rising cost of debt servicing has severely constrained the government's ability to fund essential sectors such as infrastructure, healthcare, and education. As more resources are diverted towards loan repayments, critical investments needed to drive economic growth and improve social welfare are being deprioritised.

RECOMMENDATIONS

The key recommendations presented in this section aim to ensure and strengthen the economic role of government budget in Nigeria.

A. Rethinking Budgetary Approach for Economic Growth and Social Development

- Inclusive Fiscal Framework: Rethink the current fiscal framework to make important long-term investments in social and economic development over austerity. Explore alternative policy and budget options to steer the fiscal and economic growth trajectory towards inclusivity.
- Demand-Led Growth Strategy: Adopt a demand-led growth strategy rooted in needs-based budgeting, prioritising investment in social and economic infrastructure to stimulate economic activity and foster inclusive growth.
- Focusing on Pro-Growth Infrastructure and Social Spending: Prioritise and improve the efficiency of infrastructure financing by ensuring early allocation of funds to the pipeline of projects. Aim for capital expenditure implementation between 80-90 percent to support economic growth through the positive externalities of infrastructure spending.

B. Strengthening Fiscal Sustainability and Accountability

- Commitment to Fiscal Framework: Adhere to the approved 2025-2027 medium-term expenditure framework and fiscal strategy paper. This would help to strengthen the country’s fiscal coordination process and improve its performance. For example, doing this would support the annual budget's objective of reducing Nigeria's fiscal deficit, thereby enhancing fiscal sustainability.
- Public Debt Management: Adhere to the fiscal strategy to strengthen public finances. This approach will help manage public debt accumulation and moderate the impact of debt-service costs, which currently account for one-third of the present government’s planned expenditure.
- Managing Interest Rates: There is a need to manage interest rates on government bonds and other costs of public finance by renegotiating existing debt conditions, pursuing preferential lending rates, or exploring alternative financing options that offer capital on more favourable terms/conditions.

C. Performance Monitoring and Evaluation

- Timely Publication of Fiscal Accounts: Ensure the timely publication of the country’s fiscal accounts to facilitate periodic analysis of budget performance and provide advice on necessary adjustments to achieve fiscal goals. Regular and transparent reporting will enable active engagement from citizens and civil society organisations, enhancing oversight and promoting a culture of accountability.
- Robust M&E Framework: Establish a comprehensive monitoring and evaluation (M&E) framework to enhance the efficiency and effectiveness of public resource utilisation. This system will ensure budget allocations are transparent and aligned with intended outcomes.

- Public Investment Management: Develop a Public Investment Management tool for better project monitoring and reporting for Ministries, Departments and Agencies of government. This approach will move the country towards a sector-integrated projects budgeting approach and foster integrated planning across sectors, enhance coordination and alignment of resources allocation with development priorities.

D. Implementation of Tax Policy Measures and Revenue Reforms

- Tax and Fiscal Reforms: Ensure robust implementation of proposed tax and fiscal reforms. Consolidate revenue collection efforts into one agency, ending the multiple revenue agency collection model currently in operation.
- Domestic Resource Mobilisation: Enhance domestic resource mobilisation through a more equitable and comprehensive tax system. Implement comprehensive tax reforms to broaden the tax base and ensure fair contributions from firms benefiting from economic crises.

CONCLUSION

The 2025 budget of the Federal Government of Nigeria is coming at a time the country is at a pivotal crossroads – shaped by weak domestic economy, heightened global uncertainties, and the enduring aspirations of the government to optimise available resources to spur economic growth. As highlighted in this report, Nigeria’s macroeconomic and fiscal outlook demand a budget that goes beyond the annual rituals of revenue and expenditure projections. Nigeria requires a strategic, growth-oriented fiscal framework that translates into tangible economic outcomes, particularly in fostering inclusive growth, creating jobs, and reducing poverty, while effectively managing its resource constraints.

The budget, as approved, has attempted to respond to pressing national priorities. Yet, the realisation of its macroeconomic assumptions, the efficiency of planned expenditures, the structure of revenue mobilisation, and debt servicing raise important questions about its ability to achieve the set targets. The analysis of Nigeria's budget performance from 2015 to 2023 reveals persistent challenges, including implementation delays, suboptimal capital budget utilisation, and rising recurrent expenditures. These issues pose significant risks to the effective execution of the Federal Government's 2025 fiscal plan.

In this context, the 2025 budget must be seen as a strategic instrument to stimulate confidence in the Nigerian economy. The recommendations proposed in this report—ranging from enhanced transparency and accountability, stronger public investment management, and improved revenue strategy—are critical to unlocking the budget’s potential as a catalyst for economic growth.

Ultimately, making the 2025 budget work for economic growth will require a whole-of-government commitment to prudent fiscal governance, implementation discipline, and institutional coordination. It will also demand political will to prioritise long-term national interests over short-term, fragmented spending. If these conditions are met, the 2025 budget could mark a turning point toward a more resilient, inclusive, and sustainable Nigerian economy.

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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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