2025-2027
MEDIUM TERM EXPENDITURE FRAMEWORK
AND FISCAL STRATEGY PAPER

2025 - 2027

MTEF & FSP

Budget Office of the Federation
Ministry of Budget and Economic Planning

Table of Contents

The economic and fiscal estimates presented in the 2025-27 MTEF/FSP incorporate assumptions, narratives and judgments based on information available at the time of preparation. These estimates are subject to uncertainty. This MTEF/FSP provides details of the historical performance of Budget forecasts for the macroeconomic aggregates of real and nominal GDP, as well as for estimates of government revenues & expenditure. The Fiscal Strategy Paper also presents several economic forecasts / projections and key underlying assumptions as well as Government's medium-term outlook.

This document is available at – www.budgetoffice.gov,ng

List of Tables

List of Figures

LIST OF ACRONYMS

ACRONYM	DESCRIPTION
AfCFTA	Africa Continental Free Trade Agreement
ADF	African Development Fund
ADR	Average Duty Rate
AKK	Ajaokuta-Kaduna-Kano
ARMOR	Accelerated Revenue Mobilisation Reforms
BHCPF	Basic Healthcare Provision Fund
BOF	Budget Office of the Federation
BOT	Balance of Trade
BOP	Balance of Payment
CBN	Central Bank of Nigeria
CBDC	Central Bank Digital Currency
CET	Common External Tariff
CIF	Cost, Insurance and Freight
CIT	Companies Income Tax
CRF	Consolidated Revenue Fund
DMO	Debt Management Office
DPR	Department of Petroleum Resources
DSSI	Debt Service Suspension Initiative
ECA	Excess Crude Account
EIA	Energy Information Administration
ETP	Energy Transition Plan
EU	European Union
EV	Electric Vehicles
FCDA	Federal Capital Development Authority
FCT	Federal Capital Territory
FDI	Foreign Direct Investment
FG	Federal Government

FGN	Federal Government of Nigeria
FMFBNP	Federal Ministry of Finance, Budget and National Planning
FRA	Fiscal Responsibility Act
FSP	Fiscal Strategy Paper
FX	Foreign Exchange
FY	Financial Year
GAVI	Global Alliance for Vaccines
GDP	Gross Domestic Product
GENCOs	Electricity Generation Company
GOEs	Government Owned Enterprises
IAT	Import Adjustment Tax
ICT	Information and Communication Technology
I&E	Import and Export
IDA	International Development Association
IEA	International Energy Agency
IGR	Internally Generated Revenues
IMF	International Monetary Fund
IPPIS	Integrated Personnel and Payroll Information System
JET-P	Just Energy Transition Partnership
JV	Joint Venture
LIC	Low Income Countries
MBPD	Million Barrels Per Day
MDAs	Ministries, Departments and Agencies
MPC	Monetary Policy Committee
MPR	Monetary Policy Rate
MSMEs	Micro, Small and Medium Enterprises
MTFF	Medium-Term Fiscal Framework
MTEF	Medium-Term Expenditure Framework
MTDS	Medium-Term Debt Strategy
MTNDP	Medium Term National Development Plan

NAFEX	the Nigerian Autonomous Foreign Exchange
NASS	National Assembly
NBET	Nigerian Bulk Electricity Trading
NCS	Nigeria Customs Service
NEDC	North East Development Commission (NEDC).
NEXIM	Nigerian Export-Import Bank
NIRP	Nigeria Industrial Revolution Plan
NNPC	Nigerian National Petroleum Corporation
NPA	Nigeria Ports Authority
NSSP	National Social Safety Net Programme
OAGF	Office of the Accountant General of the Federation
OECD	Organisation for Economic Cooperation and Development
OPEC	Organisation of Petroleum Exporting Countries
PCOA	Put-Call Option Agreement
PFM	Public Finance Management
PIGB	Petroleum Industry Governance Bill
PMS	Premium Motor Spirit
PPP	Public Private Partnership
PPT	Petroleum Profit Tax
PRG	Partial Risk Guarantees
PRMRC	Presidential Revenue Monitoring & Reconciliation Committee
PSRP	Power Sector Recovery Program
PSRO	Power Sector Recovery Operations
PV	Photovoltaic
SDG	Sustainable Development Goals
SIP	Social Investment Programme
SSI	Safe School Initiative
TE	Tax Expenditure
TES	Tax Expenditure Statement
TSA	Treasury Single Account

UK	United Kingdom
USA	United States of America
USD	United States Dollar
VAT	Value Added Tax
WEO	World Economic Outlook
YoY	Year on Year

1.0 INTRODUCTION

Medium-term planning plays a pivotal role in achieving sustainable economic development and promoting effective governance. By extending beyond short-term budgeting, medium-term planning ensures coherence, stability, and predictability in fiscal policy. The MTEF&FSP facilitates the alignment of policy objectives with the available financial resources. This ensures that developmental priorities are supported, and resources are allocated efficiently to achieve desired outcomes. The MTEF&FSP operationalises high-level fiscal objectives in concrete terms and in a manner that demonstrates credibility and political will. A transparent and publicly available MTEF&FSP helps in promoting accountability. The 2025 – 27 MTEF&FSP is the pre-budget statement and the cornerstone of the 2025 budget formulation process, which brings together the various commitments and constraints in one place to enable decision-makers to consider how to meet constraints such as fiscal rules.

The 2025-2027 Medium Term Fiscal Framework and Fiscal Strategy Paper (MTFF/FSP) sets out the Federal Government of Nigeria's strategic fiscal direction over the next three years, focusing on stability, efficiency, and sustainable economic growth. This document takes into account, recent reforms and outlines policy actions aimed at positioning Nigeria for robust economic development in the face of emerging global and domestic challenges.

Recent economic reforms have been pivotal to reshaping Nigeria's fiscal landscape. The unification of the exchange rate regime represents a significant step toward achieving greater market-driven stability, enhancing investor confidence, and reducing currency speculation. Furthermore, the Federal Government's removal of the Premium Motor Spirit (PMS) subsidy has alleviated a long-standing fiscal burden, creating room for more targeted expenditures on critical infrastructure and social services. These reforms are central to the medium-term strategy aimed at unlocking Nigeria's economic potential and promoting inclusive growth.

In the medium term, the Federal Government will focus on consolidating these gains while implementing further measures to shore up revenue and improve the efficiency of expenditure. Key to this strategy is the government's commitment to leveraging technology and automation to enhance revenue collection across key sectors. The deployment of automation tools, alongside ongoing efforts to correct inefficiencies in revenue administration, will significantly improve tax compliance, streamline customs operations, and reduce revenue leakages.

Complementing these fiscal measures is a comprehensive overhaul of Nigeria's security architecture. The government recognizes that security is a prerequisite for sustained economic activity, particularly in regions that serve as critical hubs for agriculture, commerce, and industry. Enhanced security operations, coupled with intelligence-driven strategies, are expected to facilitate the return of economic activities to pre-crisis levels, fostering growth and creating jobs.

The outlook for the 2025-2027 period is cautiously optimistic. The Federal Government is embarking on an ambitious infrastructure development drive, prioritizing the construction of key transport and energy projects designed to connect Nigeria's economic nerve centers. This infrastructure push is aimed at reducing logistical bottlenecks, enhancing productivity, and stimulating industrial output across the country.

The government remains committed to maintaining fiscal discipline, ensuring that borrowing is prudent, transparent, and directed toward growth-enhancing investments. The 2025-2027

MTFF/FSP serves as a framework for achieving these goals, outlining a clear path for enhanced revenue mobilization, and economic diversification.

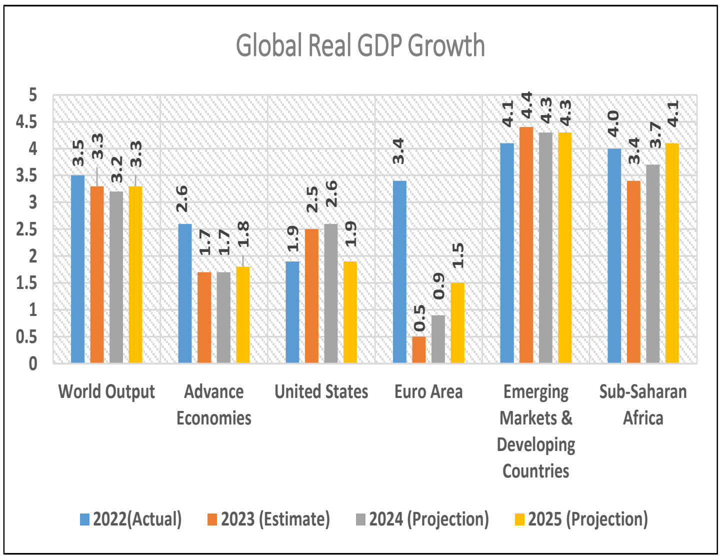
With these measures in place, Nigeria is positioned to achieve resilient and broad-based economic growth over the medium term, creating a solid foundation for long-term prosperity.

2.0 ECONOMIC AND FISCAL DEVELOPMENTS

2.1 Global Economic Developments and Implications

Global economic growth is expected to oscillate from 3.3% in 2023 to 3.2% in 2024 and 3.3% in 2025. Growth in the advanced economies is estimated at 1.7% in 2023, lower than the 2.6% recorded in the prior year. Sub-Saharan Africa's (SSA) GDP growth is estimated at 3.4% compared with 4.0% in 2022. However, growth in the Emerging Market and Developing Countries (EMDC) is estimated at 4.4%, surpassing the 4.1% in 2022. Growth in the Advanced Economies is projected to remain flat at 1.7% in 2024 and increase marginally to 1.8% in 2025, while on average, SSA economies are expected to grow by 3.7% and 4.1% in 2024 and 2025 respectively. The USA economy, which accounts for about 25% of global output, is expected to grow by 2.5% in 2023, higher than the 1.9% recorded in 2022. The economy is projected to further grow by 2.6% in 2024 but to decline afterwards by 1.9% in 2025.

According to the IMF, evidence from the first quarter of 2024 shows that there was positive upside in many countries. The US grew at an annual rate of 3.0% in the second quarter of 2024, up from 2.8% in the initial estimate and 1.4% in the first quarter and driven by increased consumer spending which rose by 2.9%, private inventory investment, and business investment. The unemployment rate however rose to 4.3% in July from 4.1% in June 2024, the highest level since October 2021. The disaggregation showed that employment continued to trend up in health care, construction, and in transportation and warehousing, while information lost jobs. Inflation however remains an issue as the uptick in sequential inflation during the first quarter delayed policy normalization and put other advanced economies more in line with expectations, while a number of central banks in emerging market economies remained cautious in regard to cutting rates.



Source: IMF-WEO July, 2024

The Euro Area which accounts for around 10% of global output is estimated to record 0.5% growth in 2023, significantly lower than 3.4% in 2022. The Area is projected to grow by 0.9% and 1.5% in 2024 and 2025 respectively. According to the IMF, activities in the Euro Area appears to have bottomed out and the projected modest pickup in 2024 will be driven by stronger momentum in services and higher-than-expected net exports. The expected growth in 2025 will be underpinned by stronger consumption on the back of rising real wages, and higher investment from easing financing conditions amid gradual monetary policy loosening.

The disaggregation of the Euro Area data shows that Emerging and Developing Europe will be flat at 3.2% in 2023 and 2024, before declining to 2.6% in 2025. The war with Ukraine is impairing Russia's growth as the estimated 3.6% in 2023 will likely decline to 3.2% in 2024 and then slide further to 1.5% in 2025. The continued geo-political conflict is hindering global supply chains, especially in commodities that the two countries have relative comparative advantage.

	Actual	Estimate	Projections	
Real GDP Growth, Percent Change	**2022**	**2023**	**2024**	**2025**
World Output	3.5	3.3	3.2	3.3
Advanced Economies	2.6	1.7	1.7	1.8
United States	1.9	2.5	2.6	1.9
Euro Area	3.4	0.5	0.9	1.5
Emerging Market & Developing Countries	4.1	4.4	4.3	4.3
China	3.0	5.2	5.0	4.5
India	7.0	8.2	7.0	6.5
Brazil	3.0	2.9	2.1	2.4
Sub – Saharan Africa	4.0	3.4	3.7	4.1
Nigeria	3.3	2.9	3.1	3.0
South Africa	1.9	0.7	0.9	1.2
Low- Income Developing Countries	4.2	3.9	4.4	5.3

Source: IMF-WEO July, 2024

In the SSA region, the World Bank posited that despite the ongoing macroeconomic adjustments in Nigeria, the economy has held up reasonably well in early 2024. Oil production has picked up since mid-2023 and the central bank has tightened its monetary policy stance substantially to rein in soaring inflation. South Africa remained subdued in early 2024 as the economy struggles with public service delivery, including electricity supply shortages, transport bottlenecks, and a high crime rate. The growth outlook is projected to pick up as fading inflationary pressures allow for interest rate cuts, which will support private consumption and investment. Growth in Egypt is slowing due to weaker manufacturing activity, based on import restrictions, a downturn in the gas extractives sector operations, reduced shipping through the Suez Canal, slower investment partly owing to limited private sector credit, and a dampened recovery in tourism because of the conflict in the region.

With respect to the global financial condition, uncertainty remains an issue as inflation outlook led central banks in major advanced economies to be more cautious about the pace of policy easing, compared with their positions at the end of the first quarter. Therefore, markets' expectations of the number of policy rate cuts to be delivered in 2024 have been revised downward. Although buoyant corporate valuations kept financial conditions accommodative, there is the notion that a slower pace of policy easing in the US and other advanced economies, amid continued uncertainty around the global economic outlook, could exacerbate financial market volatility and challenge the valuations. Furthermore, emerging market currencies, which have been subject to depreciation pressures, may come under further stress with tapering of interest rate differentials against the US.

In sum, as espoused by the World Bank, the global economy is stabilizing after several years of overlapping negative shocks. Notwithstanding the elevated financing costs and heightened geopolitical tensions, global activity firmed in early 2024. Global growth is envisaged to reach a slightly faster pace in 2024 than previously projected, due mainly to the continued solid expansion of the U.S. economy. Nevertheless, the degree of anticipated declines in global interest rates has moderated amid lingering inflation pressures in key economies. When historical standards are considered, the global outlook remains subdued and both advanced economies and emerging market and developing economies are likely to grow at a slower pace over the medium term than in the decade preceding the pandemic period.

2.2 Domestic Economic Environment

GDP growth and Sectoral Performance

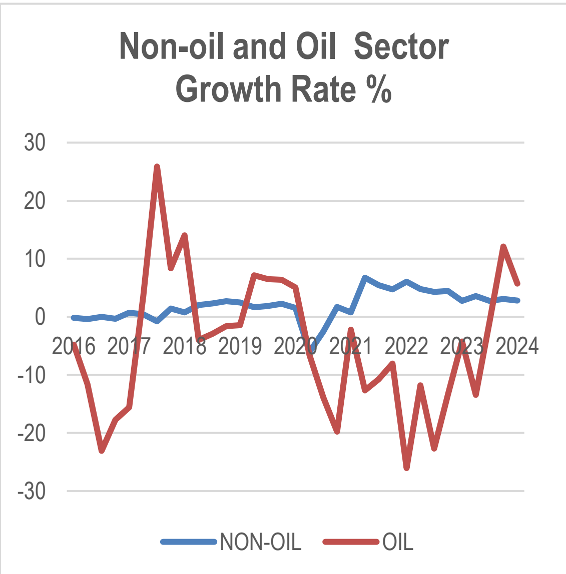
Real Gross Domestic Product (GDP) grew by 2.98% (year-on-year) in the first quarter of 2024, slower than the 3.46% recorded in the fourth quarter of 2023. However, the growth performance is higher than the 2.31% recorded in the first quarter of 2023. The economy posted positive, albeit lower than expected growth, for the fourteenth consecutive quarter, despite several headwinds.

Source: National Bureau of Statistics

The performance of the real GDP in the first quarter of 2024 was driven mainly by the Services sector, which grew by 4.32% and contributed 58.04% to the aggregate GDP. The services sector contributed more to the aggregate GDP in the first quarter of 2024 compared to the corresponding quarter of 2023.

The non-oil sector grew by 2.8% in real terms in Q1 2024. This rate was however slightly lower by 0.27% points compared to the 3.07% recorded in Q4 2023.

Non-oil sector growth in the first quarter of 2024 was mainly driven by Financial Institutions; Telecommunications; Crop production; Food, Beverage, and Tobacco. In real terms, the non-oil sector contributed 93.62% to the nation's GDP in the first quarter of 2024, lower than the share recorded in the first quarter of 2023 which was 93.79% and lower than the fourth quarter of 2023 recorded as 95.30%.



Source: National Bureau of Statistics

The oil sector grew in real terms by 5.70% (year-on-year) in Q1 2024. This represents an increase of 9.91% points relative to the -4.21% recorded in the corresponding quarter of 2023. Growth decreased by 6.41% points when compared to Q4 2023 which was 12.11%. On a quarter-on-quarter basis, the oil sector recorded a growth rate of 13.77% in Q1 2024. The Oil sector contributed 6.38% to the total real GDP in Q1 2024, up from the 6.21% recorded in the corresponding period of 2023 and 4.70% contributed in the preceding quarter.

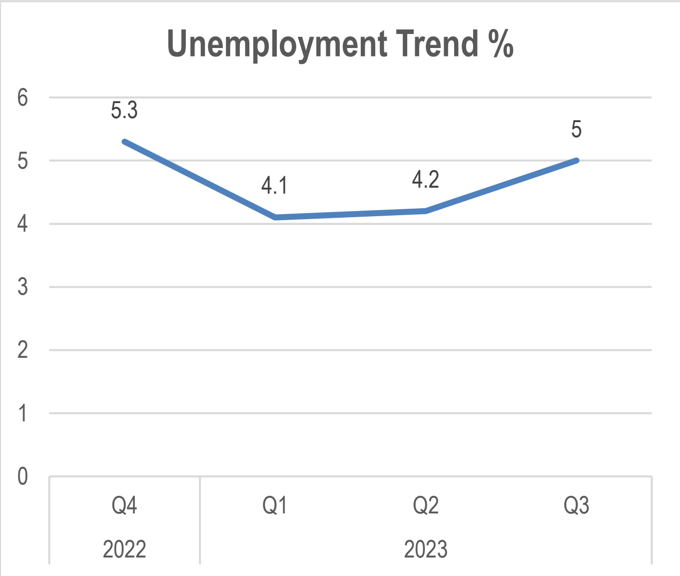
Average daily crude oil production was 1.57 million barrels per day (mbpd) in the first quarter of 2024, higher than the daily average production of 1.51mbpd recorded in the same quarter of 2023 and production volume of 1.55 mbpd in the fourth quarter of 2023.

2.3 Unemployment and Underemployment

In Q3 2023, the labour force participation rate in Nigeria was 79.5%, having been 80.4% in Q2 2023. The participation rate among men was 80.9% and 78.2% for women. Persons living in rural areas are more likely to participate in labour activities than urban dwellers.

About 75.6% of Nigeria's working-age population was estimated to be in employment In Q3 2023,. Disaggregating by sex, the employment-to-population ratio was 77.7% for males and 73.5% for females. The employment-to-population ratio in urban areas was 71.1% and 80.7% in rural areas.

According to the National Bureau of Statistics, 87.3% of employed Nigerians were primarily self-employed with the remaining 12.7% being primarily engaged as employees. Disaggregation by sex, 90.5% of women were engaged as self-employed while 84.2% of men were self-employed. 80.3% of employed people in urban areas were self-employed this is lower when compared with 94.5% of employed people in rural areas.



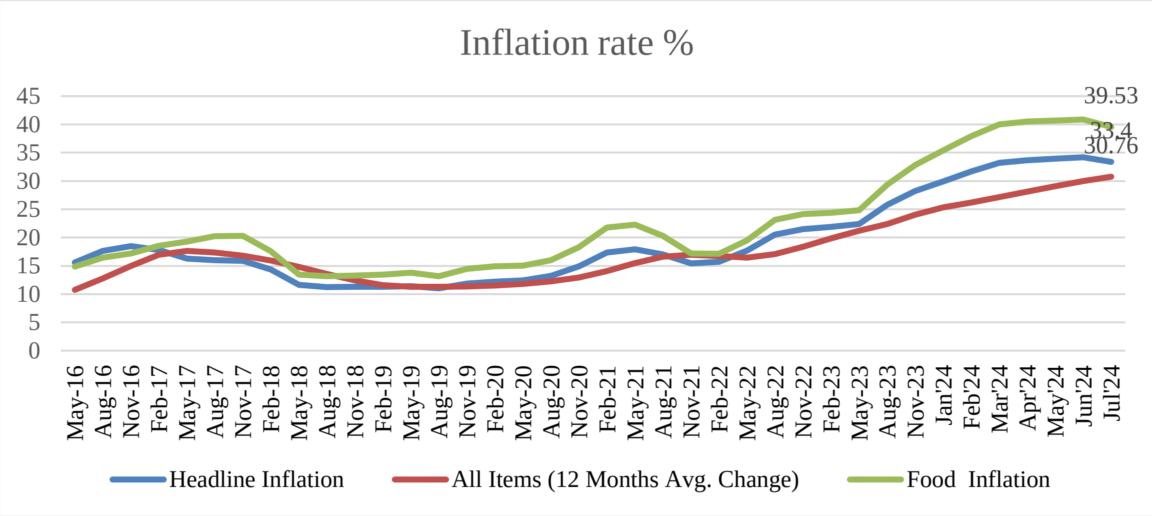
The unemployment rate in Q3 2023 was 5.0%. This is a significant increase from the 4.2% recorded in Q2 2023. The unemployment rate by sex among men was 4.0% and among women was 6.0%. Disaggregated by location, the unemployment rate was 6.0% in urban areas and 4.0% in rural areas. Focusing on young people, the youth unemployment rate was 8.6%. The unemployment rate measures the share of the labour force who are not employed but are actively searching and are available for work.

Source: National Bureau of Statistics

In Q3 2023, the share of employed Nigerians that were underemployed was 12.3%. The share of employed persons aged 15 to 24 years who were underemployed was 18.3%. The unemployment/underemployment data reveal the need to implement policies and programmes to support labour intensive sectors and improve the Nigerian business operating environment are expected to reduce unemployment, underemployment and poverty rates in the country.

2.4 Monetary Sector

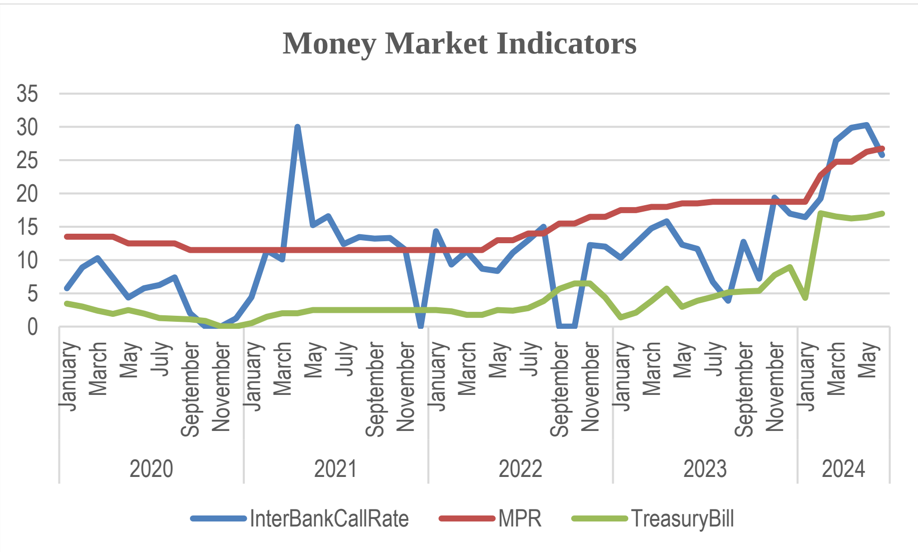
Inflation



Source: National Bureau of Statistics, 2024

Generally, inflationary pressures persist in Nigeria. In July 2024, the headline inflation rate was 33.4%, a slight decrease from 34.19% in June 2024. The month-on-month headline inflation rate also fell marginally, from 2.31% in June to 2.28% in July. Several factors contribute to this persistent inflation including: the lingering insecurity in major food-producing areas, the high cost of transportation driven by rising energy costs occasioned by fuel subsidy removal, activities of middlemen in the food distribution channels, and the persistence of shocks from legacy infrastructural bottlenecks, which remain major drivers of the inflationary pressure. Other contributing factors include the unification of the Foreign Exchange (FX) market segmentscontinuing to weigh on consumer prices, and electricity tariff hikes.

Interest Rate



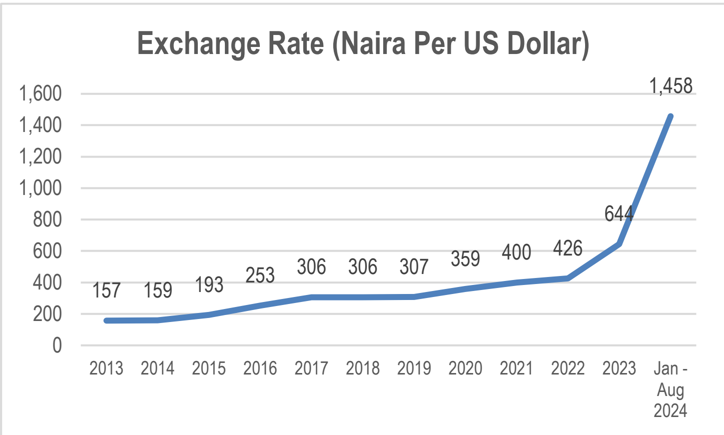
Source: Central Bank of Nigeria

While the government remains committed to fostering an environment conducive to investment and consumption through lower interest rates, , the Central Bank of Nigeria (CBN) has been compelled to raise the Monetary Policy Rate (MPR) as a policy response to the surge in inflation. As of June 2024, MPR leaped to 26.75% from 26.25% in the preceding month, representing a 50-basis-point increase. The MPR serves as the benchmark interest rate in Nigeria, influencing borrowing costs for banks and consumers, thereby impacting money supply and inflation.

In addition to adjusting the MPR, the CBN has maintained the Cash Reserve Ratio (CRR) at 45%. The CRR dictates the percentage of deposits that Deposit Money Banks (DMBs) must hold with the CBN, influencing their capacity to lend and impacting overall economic activity. A higher CRR means banks have less money available to lend, which can tighten credit conditions and stabilize economic activity. Conversely, a lower CRR increases the funds available for lending, potentially boosting economic activity by increasing credit availability to businesses and consumers.

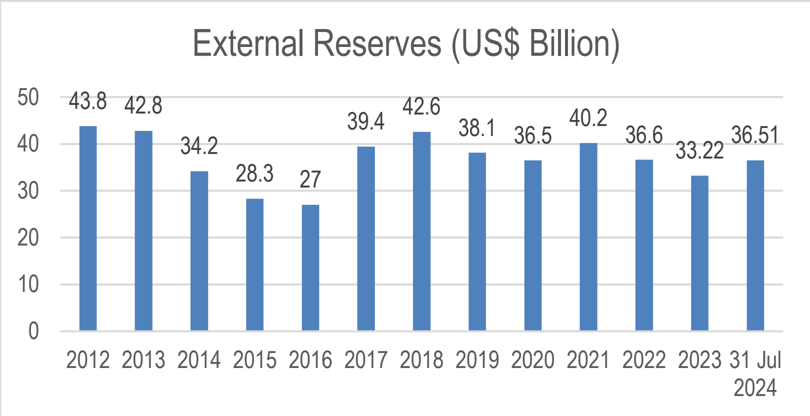
Other notable trends include a steady rise Treasury bill rate (evidenced from 16.44% in May to 16.99% in June, 2024), and increasing fixed deposit rates across various maturity, 9.99%, 15.2%, 16.36%, and 16.93% for one, three, six, and twelve-month maturities, respectively.

Exchange Rates



Prior to the exchange rate unification reforms in June 2023, Nigeria's foreign exchange market faced significant challenges. The existence of multiple exchange rates created arbitrage opportunities, discouraged investment, and distorted market signals. While the unification effort led to a temporary devaluation of the Naira, it has fostered a more transparent and market-driven system, particularly at the Investors' and Exporters' (I&E) window. This improved transparency is expected to promote greater efficiency and attract foreign investment in the long run.

Foreign Reserve



External reserves in Nigeria have generally declined in recent years, although there was a slight increase in 2024. As of July 31, 2024, Nigeria's foreign exchange reserves was approximately $36.51 billion, reflecting a 10% increase compared to $33.22 billion recorded on December 31, 2023. This upward trend is expected to continue for the remainder of 2024, driven by ongoing positive outcomes from the CBN's FX Policy reforms, increased net oil revenues among others.

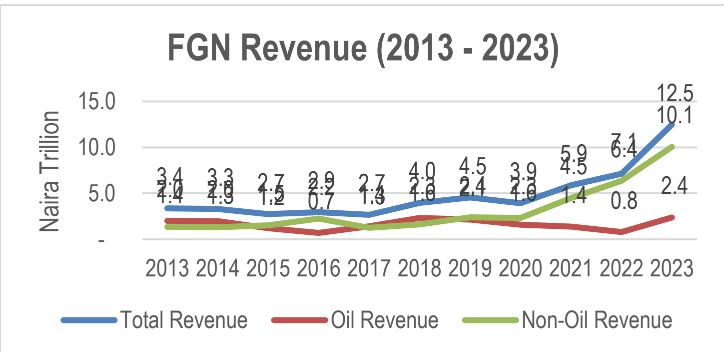
2.5 Fiscal Sector

Government Revenue

Low government revenue has constrained the ability of government to meet its fiscal obligations overtime. Hence, reform efforts have focused on improving domestic revenue mobilisation, revenue management and tax administration system, as well as crude oil revenue challenges such as pipeline vandalization and oil theft. Nigeria's tax to GDP ratio rose to 10.86% from 5- 6% due largely to non oil revenue growth and the inclusion of federal and sub-national revenue items that had previously been left out of the computation.

Further improvement is expected as current reforms take root. Tighter fiscal prudence measures with emphasis on achieving value for money, process automation and efficiency are also being implemented. These measures are expected to optimise tax revenues and remittances by Government owned enterprises. Institutional reforms to automate the revenue collection functions, implement tax harmonization to eliminate multiple taxation and improve voluntary compliance are also being implemented.

Total revenue increased by 76% from N7.1 trillion in 2022 to N12.5 trillion in 2023. Oil revenue

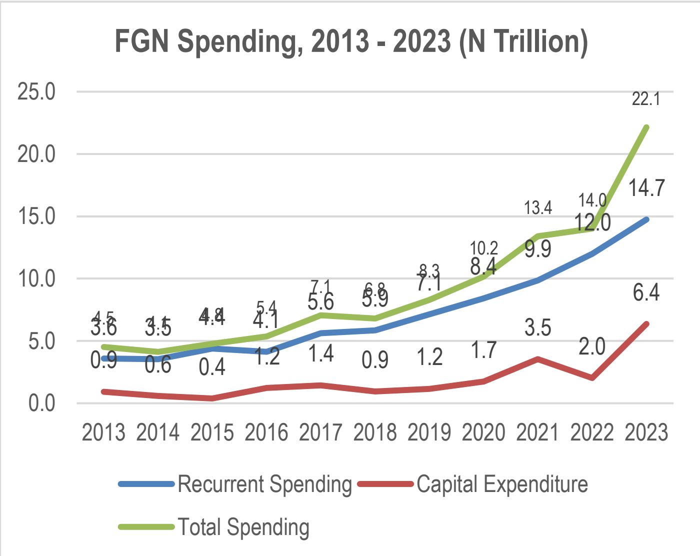


rose by 200% from N0.8 trillion in 2022 to N2.4 trillion in 2023, and contributed 19.2% to total revenue. The remarkable increase in oil revenue is largely due to higher crude oil production, which increased from an average of 1.31mbpd in 2022 to 1.41mbpd in 2023. Non-oil revenue increased by 57.8% from N6.4 trillion in 2022 to N10.1 trillion in 2023, contributing 80.8% to the total revenue. The expectation is for increased and sustainable revenue streams as the positive effects of the diverse reforms begin to yield the desired results. The government will therefore be able to meet its fiscal obligations and implement programmes and projects articulated in the Renewed Hope Agenda of the current Administration.

While the increase in the non-oil revenue raises the tax-GDP ratio, Nigeria still ranks low when compared with nation's with similar economic potentials. This narrative could possibly change with the full implementation of the recommendations of the Presidential tax reform committee. The progress being recorded in the tax system is already being noticed, with the 2023 Tax Transparency in Africa Report highlighting that Nigeria is making progress in the development of its Exchange of Information (EOI) strategy, aimed at curbing tax evasion through transparency among the 33 member countries.

Government Expenditure

Government expenditure remains a key driver of socioeconomic development. Government channels spending to areas of priority with a view to enhancing and promoting inclusive growth. The persistent growth in federal spending is attributable to the government's investment in critical infrastructures and social protection schemes.



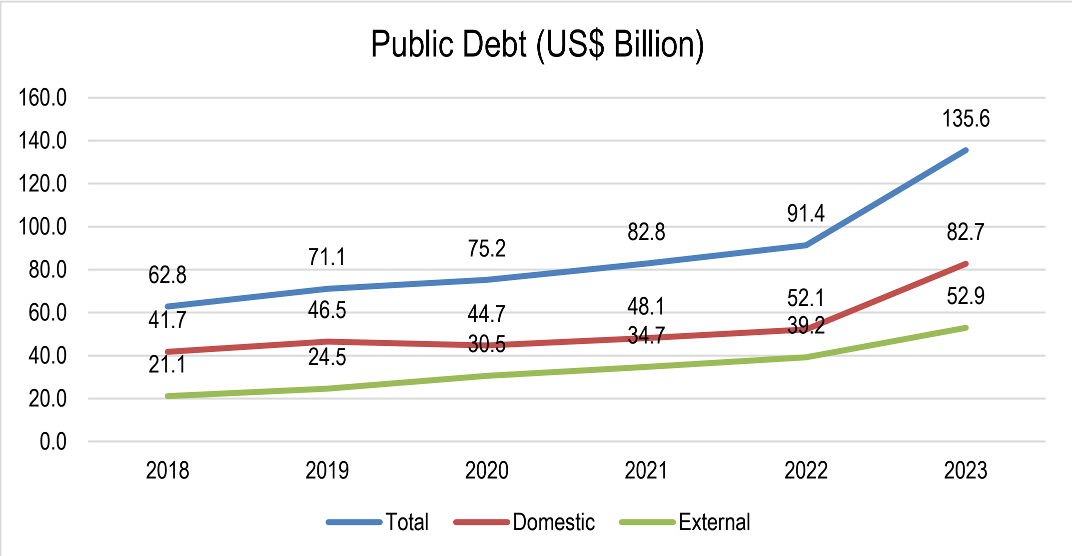
Expansionary fiscal measures have been employed to spur economic activities by putting more money into the hands of consumers and businesses as a key part of government's policy response to accelerate recovery in the wake of the last two successive economic recessions.

Ensuring fiscal discipline and effective allocation of resources to the different sectors, as well as efficiency in MDAs service delivery, guarantees value for money for government. FGN expenditure rose by 58% from N14 trillion in 2022 to N22.1 trillion in 2023. Recurrent spending increased by 23% to N14.7 trillion in 2023 and accounted for 67% of total outlay. Capital spending rose by 270% to N7.4 trillion and accounted for 33% of the overall spending.

To facilitate inclusive economic growth, the allocation of the capital outlay prioritizes projects in key infrastructure sectors like Works and Power, as well as in the area of human capital development, especially health and education. The government also invests appreciable amount of its outlays to offer succour to the poor to cushion the effects of the unintended negative but transient effects of reforms. Overall, the fiscal operations of the federal government resulted in a deficit of N9.66 trillion in 2023. The fiscal deficit was mainly financed through domestic borrowing. A direct result of the inadequate revenues and persistent fiscal deficit is the significant increase in public debt overtime.

Public Debt

As of December 31, 2023, the total public debt was US$108.3 billion, of which US$42.5 billion or 39.2% was external debt and US$65.7 billion or 60.8% domestic debt. The total debt reduced to US$91.5 billion at the end of the first quarter of 2024, with external debt at US$42.1 billion and domestic debt US$49.4 billion. The FGN's share of the total public debt was US$97.1 billion or 89.7% in 2023 and US$84.1 billion or 92% by the first quarter of 2024.



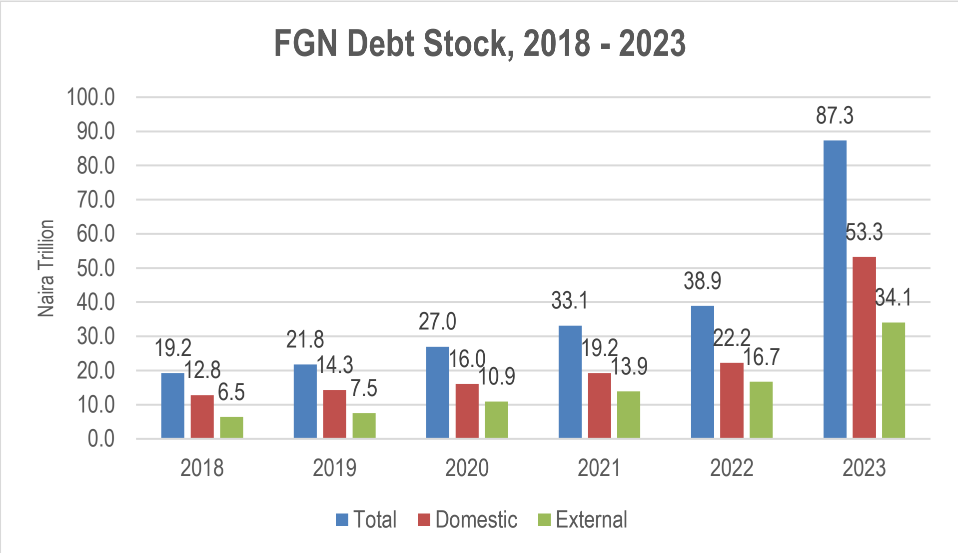
Source: Debt Management Office

Sustainable debt management is a key priority of the fiscal authorities in Nigeria. Borrowing activities, debt servicing, and debt sustainability are managed and monitored by the Debt Management Office (DMO) with the primary objective of ensuring that Nigeria's debt remains sustainable and does not pose a significant risk to the country's economy.

The external debts are mainly due to borrowing from the multilateral, bilateral, commercial, and syndicated sources. Over the years, the DMO has proactively developed more debt instruments to enable the government further access the domestic debt market. This also offers different categories of retail, corpoarte and institutional investors, the opportinties to invest in the sovereign debt instruments. While the FGN Bonds and the Nigerian Treasury Bills are the dorminant domestic debt instruments, the Savings Bond, Green Bond, Sukuk, and the Promissiory Notes are also issued as part of the local debt instruments.

While multilateral and bilateral loans are concessionary, the commercial and syndicated borrowings are on commercial terms. As at December 31, 2023, borrowings from the multilateral window was US$21.2 billion or 49.8% of the total external loans, while US$5.9 billion or 14% was from bilateral sources. Borrowing on commercial terms through the Eurobond was US$15.1 billion or 35.5%, while the syndicated loans totalled US$270 million or 0.6% of the total external debt for 2023. Given that almost half of the borrowing are from concessionary sources, it reduces the interest payment burden that would have been incurred from the commercial loans.

The FGN's debt profile increased from N38.9 trillion as at December 31, 2022 to N87.3 trillion as at the end of 2023. As at March 31 2024, total public debt stood at N121.67 trillion. This figure includes domestic debts of the Federal Government, States and the Federal Capital Territory amounting to N65.7 trillion. External debt amounted to N56.0 trillion, including the obligations of state government and the FCT.



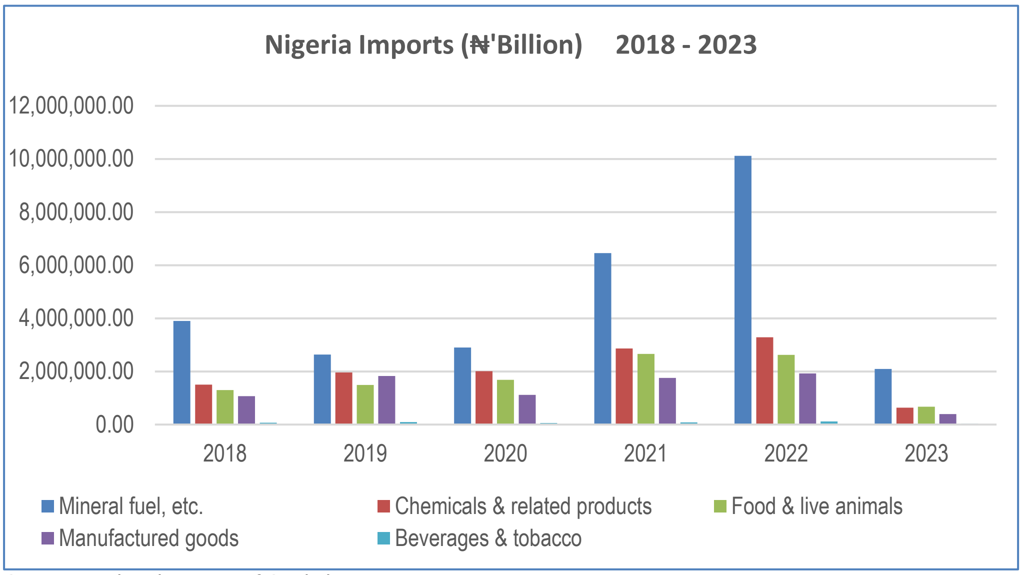
Source: Debt Management Office

The sustainability of public debt remains a significant concern, as high debt servicing costs and limited fiscal space constrain the government's ability to invest in critical sectors such as healthcare, education, and infrastructure. Total debt service cost in 2023 was N8.56 trillion. This represents 37% of FGN expenditure and 69% of revenues. Improved domestic resource mobilization will significantly reduce government's borrowing requirement.

2.6 External Sector

Trade

Foreign trade stood at N12.74 trillion in Q2 2023, total exports stood at N7.02 trillion and total imports amounted to N5.73 trillion. Total imports increased by 2.99% compared to the value recorded in the first quarter of 2023 (N5.56 trillion) but declined by 10.37% when compared to the value recorded in the corresponding quarter of 2022 (N6.39 trillion). However, by the end of Q4 2023, foreign trade stood at N26.80 trillion indicating a decline in trade activity. Total exports for the period amounted to N12.69 trillion while imports stood at 14.11 trillion.



Source: National Bureau of Statistics

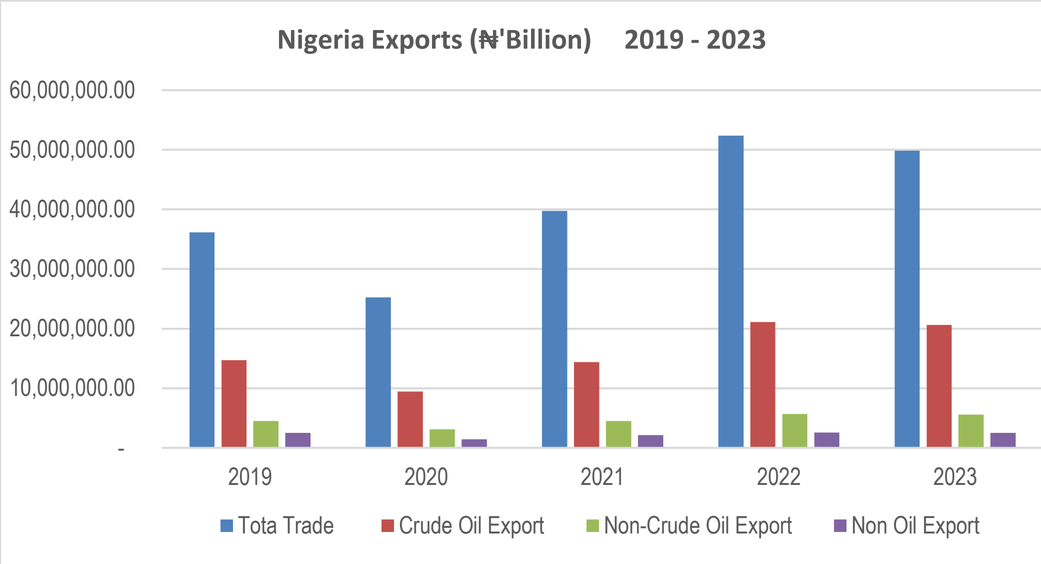
Compared to Q3 2023, total exports increased by 22.7% in Q4 2023. Imports further increased by 99.6% in Q4 2023 when compared with the corresponding quarter in 2022 (N6.36 trillion. Similarly, total imports increased by 56% compared to the N9.041 trillion that was recorded in Q3 2023. It further increased by 163.1% compared to the value recorded in the corresponding quarter of 2022 (i.e. Q4, 2022).

By the end of Q1 2024, the value of total imports stood at ₦12.64 trillion, representing an increase of 39.7% compared with the value recorded in Q4, 2023 (₦9.05 trillion) and a rise of 95.5% from the ₦6.47 trillion recorded in the corresponding quarter of 2023.

Top five countries of origin of imports to Nigeria in Q2 2023 were China, United States, Belgium, India and Netherlands. With imports valued at N1.27 trillion representing 22.2%. China is the largest country of origin for Nigerian imports. The values of imports from the top five countries amounted to N3.44 trillion representing a share of 60.1% of total imports. Premium Motor Spirit imports accounted for 21.5% (N1.23 trillion). Other imports included used Vehicles, and Automotive Gas oil (AGO).

However, by the end of Q4 2023, the top five countries with imports into Nigeria include: Singapore (N5.09 trillion), China (N2.06 trillion), Belgium (N1.14 trillion), India (N908.59 billion), and USA (N512.99 billion). In the first quarter of 2024, China ranked highest among the top trading partners on the import side, followed by India, United States of America, Belgium, and The Netherlands. The most traded commodities were Motor spirit ordinary, Gas oil, Durum wheat (Not in seeds), Cane sugar meant for sugar refinery, and Other Liquefied petroleum gases and other gaseous hydrocarbons.

Total exports increased by 8.2% when compared to the amount recorded in the first quarter of 2023 (N6.49 trillion) but declined by 5.2% compared to the corresponding quarter in 2022 (N7.40 trillion). Total exports in Q1 2024 were valued at ₦19.17 trillion, reflecting a 51.0% increase compared to ₦12.69 trillion in Q4 2023 and a 195.5% rise compared to ₦6.49 trillion in Q1 2023.



Source: National Bureau of Statistics

The top five export destinations in Q2, 2023 were Netherlands with N788.85 billion representing 11.2% of total exports, United States of America with N718.63 billion, Indonesia with N550.18 billion, France with N540.73 billion and Spain with N504.45 billion. Altogether, exports to the top five countries amounted to 44.2% of the total value of exports. In Q4 2023, the top five export destinations include Netherlands (N1.91 billion), India (N1.10 trillion), Spain (N1.03 trillion), Canada (N907.64 billion), and France (N799.77 billion). Exports to these top counties constitute about 45.3% of total exports value. While in Q1 2024, the top trading export partners were France, Spain, the Netherlands, India, and the United States of America.

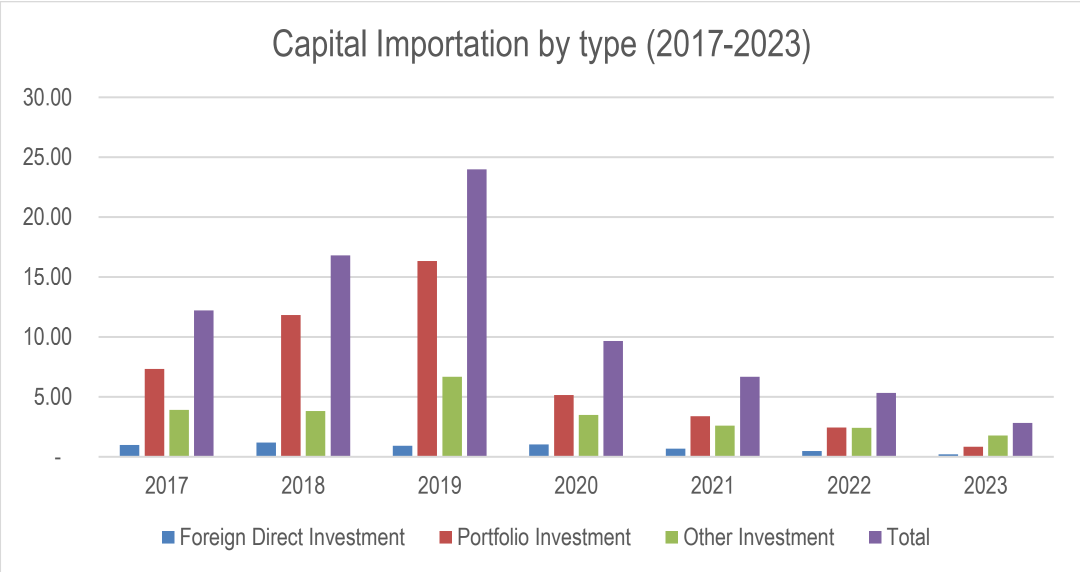
The largest export product was 'Petroleum oils and oils obtained from bituminous minerals, crude' valued at N5.59 trillion representing 79.6%. Others were Liquefied Natural Gas (LNG), liquefied' billion and Urea. However, in Q1 2024, the most exported commodities included crude oil, liquefied natural gas, sesamum seeds, urea (whether or not in aqueous solution), and superior-quality cocoa beans.

Capital Importation

There has been a steady decline in Nigeria's capital importation for four consecutive years, from an annual level of $23.99 billion in 2019 to a paltry $5.32 billion in 2022. Quarterly data also showed capital importation declined by 51.5% from $2.19 billion recorded in Q4 2021 to $1.06 billion in Q4 2022. Trade credits, Loans, Currency deposits represent the largest component of capital importation in 2022 accounting for 65.2% ($691.23 million) of total capital imported in Q4 2022. This was followed by Portfolio Investment with 26.9% ($285.26 million) and Foreign Direct Investment (FDI) with 7.94% ($84.23 million).

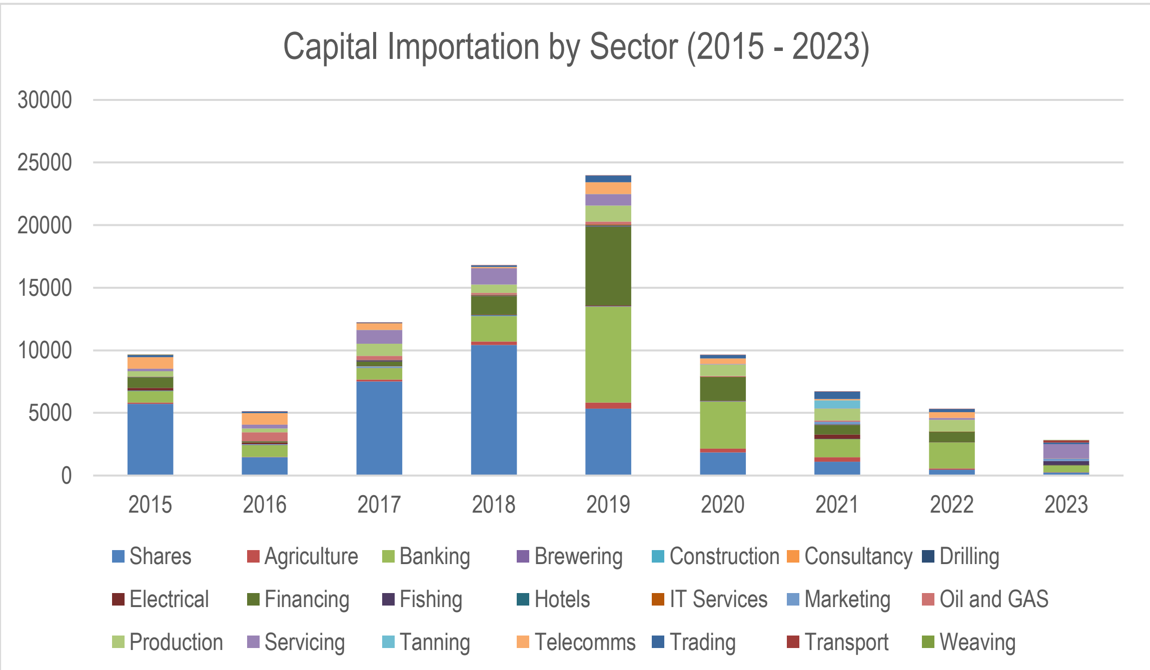
However, in Q3 2023, total capital imports were $654.65 million, much lower than $1.16 billion recorded in the corresponding quarter in 2022, thus, indicating a decrease by 43.6%. Compared to Q2 2023, capital imports declined by 36.5%. In Q1 2024, total capital importation into Nigeria stood at US$3.38 billion, higher than the US$1.13 billion recorded in Q1 2023, indicating an increase of 198.1%. In comparison to the preceding quarter, capital importation rose by 210.2% from US$1.09 billion in Q4 2023.

Government is implementing various policy reforms to attract capital inflows. These include the ease of doing business initiatives, improvements in the regulatory environment, and efforts to diversify the economy away from oil dependency. These reforms aim to create a more investor-friendly climate and enhance the attractiveness of Nigeria as an investment destination.



Source National Bureau of Statistics

Foreign capital inflow to the domestic economy was adversely affected by the relative attractiveness of securities in the international financial market, particularly in the United States.



Source: National Bureau of Statistics

In Q4 2023, total capital importation into Nigeria stood at US$1.09 billion, slightly higher than US$1.06 billion recorded in Q4 2022. This indicates an increase of 2.62%. In comparison to the preceding quarter, capital importation rose by 66.3% from US$654.65 million in Q3 2023. Other Investment ranked highest, accounting for 54.6% (US$594.74 million) of total capital importation in Q4 2023, followed by Portfolio Investment with 28.5% (US$309.76 million) and Foreign Direct Investment (FDI) with 16.9% (US$183.97 million).

The production/manufacturing sector recorded the highest inflow with US$450.11 million, representing 41.4% of total capital imported in Q4 2023, followed by the banking sector, valued at US$283.30 million (26.0%), and financing with US$135.59 million (12.5%). Capital Importation during the reference period originated largely from the United Kingdom with US$267.24 million (24.6%). This was followed by Mauritius with US$226.18 million (20.8%) and the Netherlands with US$149.93 million (13.8%).

In Q1 2024, Portfolio Investment ranked highest with US$2.08 billion, accounting for 61.48%, followed by Other Investment with US$1.18 billion, accounting for 34.99%. Foreign Direct Investment recorded the least with US$119.18 million (3.53%) of total capital importation.

The Banking sector recorded the highest inflow with US$2,067.44 million, representing 61.24% of total capital imported in Q1 2024, followed by the Trading sector, valued at US$494.93 million (14.66%), and Production/Manufacturing sector with US$191.92 million (5.68%).

3.0 REVIEW OF 2023 BUDGET PERFORMANCE

The performance of the key budget parameters for the 2023 Budget reflected a drag in the economy. While oil prices were higher than the benchmark price, on average, oil production was up to 300kbpd lower than the target. Inflation was higher than projected, and GDP fell short of the target. Also, FY 2023 was characterised by significant depreciations of the naira.

Table 3.1: Performance of key 2023 Budget parameters

Description	2022 Budget	2022 Actual	2023 Budget	2023 Actual
Oil Price Benchmark (US$/b)	73.0	105.88	75.00	82.99*
Oil Production (mbpd)	1.60	1.24	1.69	1.39+
Exchange Rate (N/$)	410.2	402.28	435.6	672.85^
Inflation (%)	16.11	18.77	17.20	24.54++
GDP Growth Rate (%)	3.55	3.10	3.75	2.74**

+ *Average production in FY2023, exclusive of volumes for repayment of arrears.*
* *Average price of Bonny Light crude as at December 2023*
^ *CBN exchange rate FY, 2023.*
++ *NBS Inflation rate FY 2022, (28.92% as of December 2023);*
** *NBS FY 2022 GDP growth rate. [Q4 2023 real GDP growth was 3.46%].*
Source: BOF, NBS, CBN, NNPC, OPEC, PRM&RC

3.1 Revenue Outturns

3.1.1 Oil Revenue

In 2023, the actual gross oil and gas revenue was N7.87 trillion, compared to N9.38 trillion projected, representing an 83.9% performance. After accounting for deductions, the net oil and gas revenue which accrued to the Federation Account was N4.93 trillion. This is N306.0 billion, about 6.6% above the target.

Table 3.2 2023 Revenue Performance

	Fiscal Items	2023 Budget	Actuals (Jan-Dec)	Variance	
		Billions of Naira		Billions of Naira	%
A	**OIL REVENUE**				
a	Gross Oil and Gas Revenue	9,384.72	7,872.72	(1,512.00)	-16.1%
b	Deductions*	4,764.42	2,946.42	(1,818.00)	-38.2%
c	**Net Oil and Gas Revenue**	**4,620.30**	**4,926.30**	306.00	6.6%
B	**NON-OIL REVENUE**				
a	**Non-Oil Taxes**	**7,534.84**	**9,888.76**	2,353.92	31.2%
i	*Corporate Tax*	2,092.67	4,267.99	2,175.32	103.9%
ii	*VAT*	2,953.77	3,639.32	685.54	23.2%
iii	*Customs*	2,488.40	1,981.46	(506.94)	-20.4%
b	**Deductions**	**550.29**	**661.25**	110.95	20.2%
c	**Net Non-Oil Taxes**	**6,984.55**	**9,227.52**	2,242.97	32.1%
d	Other Revenues**	253.25	1,195.19	941.94	371.9%
e	**Net Non-Oil Revenue**	**7,237.80**	**10,422.71**	3,184.91	44.0%
	* This include 13% derivation and transfer to Nigeria Police Trust Fund				
	** These include revenue from Soild Minerals after derivation, and Electronic Money Transfer				

Source: BOF, OAGF, PRMRC

3.1.2 Non-Oil Revenue

Non-oil revenue outperformed the budget both at gross and net levels. The projection for gross non-oil taxes was N7.53 trillion, but N9.89 trillion was collected, representing a performance of 31.2% over the budget. Corporate Income Tax (CIT) and Value-added Tax (VAT) collections were N4.27 trillion and N3.64 trillion, representing 103.9% and 23.2% performances above the target, respectively. Customs collection was N1.98 trillion, which is 79.6% of the target.

3.1.3 Federation Revenue Distributable

Table 3.3 Federation Account Revenue and VAT Distributable, 2023 (N Billion)

The accretions to the Main Pool and VAT Pool federation accounts were N11.78 trillion and N3.40 trillion, respectively. These represent N2.79 trillion and N664.41 billion above the Main and VAT Pools target, respectively. In addition, N169.43 billion was available for distribution among the three tiers of government from the Electronic Money Transfer Levy. The Federal Government received N6.21 trillion, while the States and Local Governments received N3.15 trillion and N2.43 trillion, respectively, from the Main Pool. Also, the Federal, State and Local governments received N510.12 billion, N1.70 trillion and N1.19 billion, respectively, from the VAT Pool.

	Fiscal Items	2023 Budget	Actuals (Jan-Dec)	Variance
		Billions of Naira		Billions of Naira
A	**Net Federation Account Distributable (Main Pool) ***	**8,985.38**	**11,778.79**	2,793.41
i	FGN's Share (52.68%)	4,733.50	6,205.07	1,471.57
ii	States' Share (26.72%)	2,400.89	3,147.29	746.40
iii	LG's Share (20.60%)	1,850.99	2,426.43	575.44
B	**Net VAT Pool Account Distributable**	**2,736.38**	**3,400.79**	664.41
iv	FGN's Share (15%)	410.46	510.12	99.66
v	States' Share (50%)	1,368.19	1,700.39	332.21
vi	Local Govt.'s Share (35%)	957.73	1,190.28	232.54
C	**Electronic Money Transfer Levy (EMTL) Distributable**	**136.35**	**169.43**	33.08
vii	FGN's Share (15%)	20.45	25.41	4.96
viii	States' Share (50%)	68.17	84.71	16.54
ix	Local Govt.'s Share (35%)	47.72	59.30	11.58

Source: BOF, OAGF, PRMRC

3.1.4 FGN Revenue

Table 3.4 FGN 2023 Revenue Profile (N Billion)

	Fiscal Items	2023 Budget	Actual (Jan-Dec)	Variance	
		Billions of Naira		Billions of Naira	%
S/N	**AGGREGATE FEDERAL GOVERNMENT REVENUE**	**11,045.11**	**12,484.97**	**1,439.86**	**13.0%**
	FEDERAL RETAINED REVENUES (excl. GOEs)	**8,626.00**	**10,291.15**	**1,665.15**	**19.3%**
A					
1	Oil Revenue	2,229.64	2,377.31	147.67	6.6%
2	Share of Dividend (NLNG & BOI)	81.79	46.22	(35.56)	-43.5%
3	Minerals & Mining Revenue	3.64	6.27	2.63	72.1%
4	Non-Oil Revenue:	**2,465.61**	**3,312.41**	**846.80**	**34.3%**
i	CIT	933.28	1,923.38	990.10	106.1%
ii	VAT	383.09	476.11	93.02	24.3%
iii	Customs Revenues	949.59	781.80	(167.79)	-17.7%
iv	Federation Account Levies	167.19	107.47	(59.72)	-35.7%
v	Share of Electronic Money Transfer Levy	19.09	23.65	4.56	23.9%
vi	Share of Oil Price Royalty	13.37			
B		**6,264.43**	**6,742.75**	**478.33**	**7.6%**
1	FGN Independent Revenue	3,169.07	1,841.00	(1,328.07)	-41.9%
2	FGN Drawdowns from Special Accounts/Levies	300.00	159.00	(141.00)	-47.0%
3	Signature Bonus / Renewals / Early Renewals	57.05	256.99	199.94	350.5%
4	Domestic Recoveries + Assets + Fines*	27.90		(27.90)	-100.0%
5	Grants and Donor Funding	43.03	1,572.50	1,529.47	3554.6%
6	Education Tax (TETFUND)	248.27	719.44	471.17	189.8%
7	GOEs Retained Revenue	2,419.11	2,193.82	(225.29)	-9.3%

The FGN revenue showed significant performance over the budget. While the budget provision was N11.05 trillion in 2023, the actual revenue was N12.84 trillion, representing % over the budget. Of this actual revenue, oil revenue was N2.38 trillion (6.6% over the target), while non-oil tax revenue was N3.31 trillion (34.3% above the target). The contributions of CIT and VAT to FGN non-oil tax revenue were N1.92 trillion and N476.11 billion, respectively, representing 106.1% and 24.3% higher than the Budget. N781.80 billion was collected as import duties, excise, and fees, while N107.47 billion was from Special Levies bringing the total collections by the Nigerian Customs Service to N889.27 billion. The FGN's share of the Electronic Money Transfer Levy was N23.65 billion. Other revenues collected include independent revenues of N1.84 trillion, a draw-down of N159 billion from Special Accounts, a Signature bonus of N256.99 billion, and an Education Tax of N719.44

billion. N2.19 trillion accrued as Government Owned Enterprises (GOEs) retained revenue, while Grants/Aid was N1.57 trillion.

3.2 Expenditure Outturns

Table 3.5 FGN 2023 Expenditure Performance

S/N	Fiscal Items	2023 Budget (Billions of Naira)	Actual (Jan-Dec) (Billions of Naira)	Variance (Billions of Naira)	Variance (%)
	AGGREGATE FGN EXPENDITURE	**24,823.52**	**23,037.21**	**1,786.30**	**-7.2%**
	FGN EXPENDITURE (excl. GOEs and Project-tied Loans)	**20,633.00**	**19,869.43**	**763.57**	**-3.7%**
A	**Statutory Transfers**	**985.49**	**1,034.67**	**(49.18)**	**5.0%**
B	**Recurrent Expenditure**	**15,879.77**	**15,636.69**	**243.08**	**-1.5%**
1	**Non-Debt Recurrent Expenditure**	**9,322.17**	**7,079.75**	**2,242.42**	**-24.1%**
	Non-Debt Recurrent Expenditure (excl. GOEs)	**7,738.45**	**5,459.06**	**2,279.39**	**-29.5%**
i	Personnel Costs (MDAs)	4,139.21	3,965.95	173.26	-4.2%
ii	Personnel Costs (GOEs)	912.32	1,003.11	(90.79)	10.0%
iii	Pensions & Gratuities including Service wide pension	854.81	438.55	416.26	-48.7%
iv	Overheads (MDAs)	785.47	422.22	363.25	-46.2%
v	Overheads (GOEs)	671.40	617.58	53.82	-8.0%
vi	Other Service Wide Votes	1,681.55	531.37	1,150.18	-68.4%
vii	Presidential Amnesty	65.00	65.00	-	0.0%
iv	TETFUND - Recurrent	12.41	35.97	(23.56)	
v	Special Intervention Programme	200.00		200.00	-100.0%
2	**Debt Service**	**6,557.60**	**8,556.93**	**(1,999.34)**	**30.5%**
i	Domestic Debt	3,295.11	5,035.40	(1,740.29)	52.8%
ii	Foreign Debt	1,814.76	1,824.88	(10.12)	0.6%
iii	Sinking Fund	247.73		247.73	-100.0%
iv	Interest on Ways & Means	1,200.00	1,696.65	(496.65)	
C	**Aggregate Capital Expenditure**	**7,958.26**	**6,365.86**	**1,592.40**	**-20.0%**
	Capital Expenditure (MDAs + Others)	5,308.44	3,246.27	2,062.17	-38.8%
	GOEs Capital Expenditure	835.39	573.13	262.26	-31.4%
	Grants and Donor Funding	43.03	1,572.50	(1,529.47)	3554.6%
	Multi-lateral/Bilateral Project-tied loans	1,771.40	973.96	797.44	-45.0%

The planned expenditure (including the supplementary provisions) for 2023 was N24.82 trillion. Actual spending was N23.04 trillion, about 92.8% of the Budget. Of this amount, the recurrent expenditure was N15.64 trillion, slightly lower than the budget estimate of N15.88 trillion by N243.08 billion. N5.41 trillion was spent on personnel costs and pensions. Debt service was N8.56 trillion, exceeding the budget by N2.0 trillion mainly due to the increased interest payments occasioned by the depreciation of the naira. The debt service represented 37% of aggregate expenditure and 69% of revenue. The actual capital spending of N6.37 trillion was 80% of the budget. However, this level of capital spending was because of the exchange rate effect on Grants and Donor Funding. The MDAs capital expenditure was N3.25 trillion, representing 61% of the target.

4.0 REVIEW OF 2024 BUDGET IMPLEMENTATION

The FY 2024 Budget Implementation review reveals promising progress in both revenue collection and expenditure management. Despite minor lags against prorated targets, the overall trajectory shows that fiscal efforts are on track, with key non-oil revenue streams performing better than anticipated. This improved revenue performance can be attributed to the significant reform initiatives introduced by the current administration, including enhanced tax enforcement, streamlining of public financial management systems.

These reforms are steadily strengthening the government's ability to mobilize resources, laying the foundation for sustained fiscal stability and growth as the year progresses. Oil production shortfalls remained the most significant setback to the government's revenue. However, higher tax revenues covered the oil revenue loss.

4.1 Revenue Outturns

4.1.1 Oil Revenue

Table 4.1 2024 Revenue Performance (Jan–Aug)

	Fiscal Items	2024 Budget	Prorata	Actuals (Jan-Aug)	Variance	
		Billions of Naira			Billions of Naira	%
A	**OIL REVENUE**					
a	Gross Oil and Gas Revenue	19,996.33	13,330.89	9,832.35	(3,498.54)	-26.2%
b	Deductions*	3,013.03	2,008.68	1,372.90	(635.79)	-31.7%
c	**Net Oil and Gas Revenue**	**16,983.31**	**11,322.20**	**8,459.45**	(2,862.76)	-25.3%
B	**NON-OIL REVENUE**					
a	**Non-Oil Taxes**	**10,808.05**	**7,205.36**	**10,330.18**	3,124.81	43.4%
i	*Corporate Tax*	3,256.77	2,171.18	3,844.34	1,673.16	77.1%
ii	*VAT*	3,954.12	2,636.08	4,190.86	1,554.78	59.0%
iii	*Customs*	3,422.05	2,281.36	2,161.09	(120.27)	-5.3%
iv	*Electronic Money Transfer Levy*	175.11	116.74	133.89	17.15	14.7%
b	**Deductions**	**852.80**	**568.53**	**781.61**	213.08	37.5%
c	**Net Non-Oil Taxes**	**9,955.25**	**6,636.83**	**9,548.56**	2,911.73	43.9%
d	Other Revenues**	772.31	514.87	1,131.32	616.44	119.7%
e	**Net Non-Oil Revenue**	**10,727.56**	**7,151.71**	**10,679.88**	3,528.17	49.3%
	* This include 13% derivation and transfer to Nigeria Police Trust Fund					
	** This include revenue from Soild Minerals after derivation and NLNG Dividend; however, the actual performance includes these aforementioned revenue lines and exchange gain from non-oil revenue.					

The gross oil and gas revenue was projected at N20.0 trillion. As of August 2024, N9.83 trillion was realised from the prorated sum of N13.33 trillion. This represents about 72.1% performance. After accounting for deductions (including 13% derivation), net oil and gas revenue inflows to the Federation Account amounted to N8.50 trillion. This is N2.86 trillion or 25.3% less than the target. Net non-oil revenue outperformed the prorate target by N3.53 trillion or 49.3%.

4.1.2 Federation and VAT Pool Accounts Distributable

The amount available for distribution from the Federation Account – Main Pool was N15.15 trillion. The Federal Government received N7.98 trillion, while the States and Local Governments received N4.05 trillion and N3.12 trillion, respectively. Federal, State and Local governments received N578.25 billion, N1.93 trillion and N1.35 trillion, respectively, from the VAT Pool Account. N133.22 billion was shared from the EMTL Account.

Table 4.2 Federation Account Revenue and VAT Distributable, 2024 (N Billion)

	Fiscal Items	2024 Budget	Prorata	Actuals (Jan-Aug)	Variance
		Billions of Naira			Billions of Naira
A	**Net Federation Account Distributable (Main Pool) ***	**23,873.53**	**15,915.69**	**15,151.11**	(764.58)
i	FGN's Share (52.68%)	12,576.58	8,384.39	7,981.60	(402.78)
ii	States' Share (26.72%)	6,379.01	4,252.67	4,048.38	(204.30)
iii	LG's Share (20.60%)	4,917.95	3,278.63	3,121.13	(157.50)
B	**Net VAT Pool Account Distributable**	**3,663.10**	**2,442.06**	**3,855.00**	1,412.94
iv	FGN's Share (15%)	549.46	366.31	578.25	211.94
v	States' Share (50%)	1,831.55	1,221.03	1,927.50	706.47
vi	Local Govt.'s Share (35%)	1,282.08	854.72	1,349.25	494.53
C	**Electronic Money Transfer Levy (EMTL) Distributable**	**174.24**	**116.16**	**133.22**	17.06
vii	FGN's Share (15%)	26.14	17.42	19.98	2.56
viii	States' Share (50%)	87.12	58.08	66.61	8.53
ix	Local Govt.'s Share (35%)	60.98	40.66	46.63	5.97

Source: BOF, OAGF, PRMRC

4.1.3 FGN Revenue

Table 4.3 2024 FGN Revenue Profile (Jan–Aug) N Billion

		2024 Budget	Pro Rata (Jan - Aug)	Actual (Jan - Aug)	Variance	
		Billions of Naira			Billions of Naira	%
S/N	**AGGREGATE FEDERAL GOVERNMENT REVENUE**	**25,876.61**	**13,065.65**	**12,736.18**	**(329.47)**	**-2.5%**
	FEDERAL RETAINED REVENUES (excl. GOEs)	**23,015.53**	**11,158.26**	**12,302.98**	**1,144.72**	**10.3%**
A						
1	Oil Revenue	8,176.28	5,450.85	4,088.19	(1,362.67)	-25.0%
2	Share of Dividend (NLNG, BOI, DBN, BOA, GB)	357.92	238.62	-	(238.62)	-100.0%
3	Minerals & Mining Revenue	4.56	3.04	5.26	2.23	73.3%
4	Non-Oil Revenue:	**3,569.77**	**2,379.85**	**3,811.10**	**1,431.25**	**60.1%**
i	CIT	1,472.58	981.72	1,713.07	731.35	74.5%
ii	VAT	512.83	341.89	530.41	188.52	55.1%
iii	Customs Revenues	1,287.53	858.36	871.09	12.73	1.5%
iv	Federation Account Levies	248.26	165.51	98.80	(66.71)	-40.3%
v	Share of Electronic Money Transfer Levy	24.39	16.26	19.98	3.72	22.9%
vi	Share of Oil Price Royalty	24.17	16.11			
vii	Exchange Gain (Non-Oil)			577.75		
B		**7,489.94**	**4,993.30**	**4,831.63**	**(161.67)**	**-3.2%**
1	FGN Independent Revenue	2,691.78	1,794.52	2,298.99	504.47	28.1%
2	FGN Drawdowns from Special Accounts/Levies	300.00	200.00		(200.00)	-100.0%
3	Signature Bonus / Renewals / Early Renewals	251.46	167.64	147.04	(20.59)	-12.3%
4	Domestic Recoveries + Assets + Fines*		-	71.73	71.73	
5	Grants and Donor Funding	685.63	457.09	1,003.05	545.96	119.4%
6	Education Tax (TETFUND)	700.00	466.67	869.99	403.33	86.4%
7	GOEs Retained Revenue	2,861.08	1,907.39	433.19	(1,474.20)	-77.3%
8	Other Revenue - Copyright Levy			7.63	7.63	
C	Additional Revenue (Windfalll tax, Exchange rate differential, etc)	**6,278.13**				

As of Aug 2024, the FGN achieved 73.8% (that is, N12.74 trillion) of its targeted retained revenue of N17.25 trillion. The deviation is primarily attributable to the windfall tax, which has yet to be realised. The FGN share of oil revenues was N4.09 billion (75% performance), while non-oil tax revenues totalled N3.81 trillion (a performance of 160.1%). CIT and VAT collections were N1.71 trillion and N530.41 billion, representing 74.5% and 55.1% above their respective targets. Customs collections recorded N969.89 billion out of N1.02 trillion (95% of the target). Other revenues amounted to N4.83 trillion, of which Independent revenue was N2.30 trillion.

4.2 Expenditure Outturns

Table 4.4 2024 FGN Expenditure Performance (Jan-Aug)

	Fiscal Items	2024 Budget	Pro Rata (Jan - Aug)	Actual (Jan - Aug)	Variance	
		Billions of Naira			Billions of Naira	%
S/N	**AGGREGATE FGN EXPENDITURE**	**35,055.54**	**23,370.36**	**16,975.19**	**6,395.17**	**-27.4%**
	FGN EXPENDITURE (excl. GOEs and Project-tied Loans)	**32,123.10**	**21,415.40**	**16,350.23**	**5,065.17**	**-23.7%**
A	**Statutory Transfers**	**1,742.79**	**1,161.86**	**1,016.62**	**145.23**	**-12.5%**
B	**Recurrent Expenditure**	**19,539.47**	**13,026.32**	**12,309.11**	**717.21**	**-5.5%**
1	**Non-Debt Recurrent Expenditure**	**11,268.51**	**7,512.34**	**4,897.82**	**2,614.52**	**-34.8%**
	Non-Debt Recurrent Expenditure (excl. GOEs)	**10,208.90**	**6,805.93**	**4,368.17**	**2,437.76**	**-35.8%**
i	Personnel Costs (MDAs)	4,792.05	3,194.70	3,148.01	46.69	-1.5%
ii	Personnel Costs (GOEs)	608.41	405.61	278.71	126.90	-31.3%
iii	Pensions & Gratuities including Service wide pension	673.13	448.75	299.21	149.55	-33.3%
iv	Overheads (MDAs)	673.16	448.78	445.10	3.67	-0.8%
v	Overheads (GOEs)	451.20	300.80	250.94	49.86	-16.6%
vi	Other Service Wide Votes	3,770.55	2,513.70	389.02	2,124.69	-84.5%
vii	Presidential Amnesty	65.00	43.33	43.34	(0.00)	0.0%
iv	TETFUND - Recurrent	35.00	23.33	43.50	(20.17)	
v	Special Intervention Programme	200.00	133.33		133.33	-100.0%
2	**Debt Service**	**8,270.96**	**5,513.97**	**7,411.29**	**(1,897.31)**	**34.4%**
i	Domestic Debt	5,299.70	3,533.14	3,604.55	(71.41)	2.0%
ii	Foreign Debt	2,747.60	1,831.73	3,803.69	(1,971.96)	107.7%
iii	Sinking Fund	223.66	149.11		149.11	-100.0%
iv	Interest on FGN Bonds for Securitized Ways & Means		-	3.05	(3.05)	
C	**Aggregate Capital Expenditure**	**13,773.28**	**9,182.18**	**3,649.46**	**5,532.73**	**-60.3%**
i	Capital Expenditure (MDAs + Others)	11,214.82	7,476.55	2,551.10	4,925.45	-65.9%
ii	GOEs Capital Expenditure	820.91	547.27	95.31	451.96	-82.6%
iii	Grants and Donor Funding	685.63	457.09	1,003.05	(545.96)	119.4%
iv	Multi-lateral/Bilateral Project-tied loans	1,051.91	701.28		701.28	-100.0%

The amendment aggregate expenditure for FY 2024 is estimated at N35.06 trillion (an addition of N6.2 trillion to N28.78 trillion), with a pro-rata spending target of N23.37 trillion at the end of August. The actual spending was N16.98 trillion. Of this amount, N7.41 trillion was for debt service, and N3.73 trillion for Personnel costs, including Pensions. The interest payment on debt was 34.4% over the prorate estimate, with domestic and external debt exceeding their targets by 2% and 107.7%, respectively. Only about N3.65 trillion, out of which N2.55 trillion (34% of the pro-rata budget) has been released for MDAs' capital expenditure as of the period under review.

5.0 ASSUMPTIONS UNDERLYING 2025 - 2027 REVENUE PROJECTIONS

5.1 Economic Growth

The Nigerian economy is projected to grow by **3.68%** in 2025, up from the **2.74%** recorded in 2023 and **3.55%** estimated for 2024. The projected GDP growth rate for the upcoming fiscal year is based on global economic conditions and this administration's overall development policy thrust. The nominal GDP is projected to increase from **N293.74 trillion** in 2024 to **N352.36** trillion in 2025, largely due to inflation-driven consumption expenditures. However, it is noteworthy that the country's GDP is shrinking in dollar terms by almost 40%, from **$348.4 billion** in 2023 to **$218.3 billion**, projected for 2024.

5.2 Inflation Rate

The inflation rate is projected to decline from an average of **27.85%** in 2024 to **16.94%** in 2025. As of June 2024, inflation rate stood at **34.2%** but averaged **32.8%** from January to June. The inflation rate estimate was factored into the estimated nominal GDP and budget expenditures for 2025.

5.3 Exchange Rate

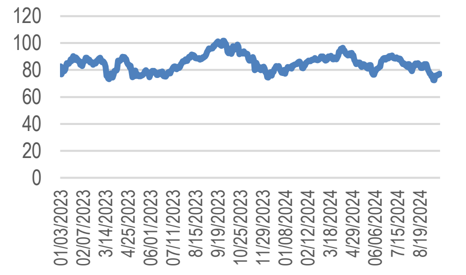
The exchange rate significantly influences Nigeria's economic projections, impacting oil revenues, non-oil foreign trade, and foreign currency expenditures. In addition, the exchange rate affects foreign currency-denominated expenditures like Foreign Missions, Immigration attaché, Defence Missions, and counterpart funding for GAVI – the Vaccine Alliance. The CBN projects a stabilization of the Naira exchange rate at **N1,400 per US$** over the medium term, based on the expected rebound of economic activities. While this is achievable, significant adjustments will be required for more effective oil sector management.

5.4 Oil Revenue Assumptions

5.4.1 Crude Oil Price Benchmark

The assumptions about the prices of key commodities, such as oil, gas, minerals, and agricultural products, will impact export revenues. In consultation with relevant stakeholders, a benchmark crude oil price of US$75 per barrel has been proposed for 2025. The estimate is about 3.8% lower than the $77.96 per barrel in 2024. The baseline forecast prices used are the latest year-to-date averages based on the submission from the Nigerian Upstream Petroleum Regulatory Commission (NUPRC). The estimation took account of crude oil market fundamentals, market sentiments and global economic outlook. The budget crude oil benchmark price was set well below forecasts to ensure budget realism.

Figure 5.1: Bonny Light Crude Oil Price (US$/Barrel)



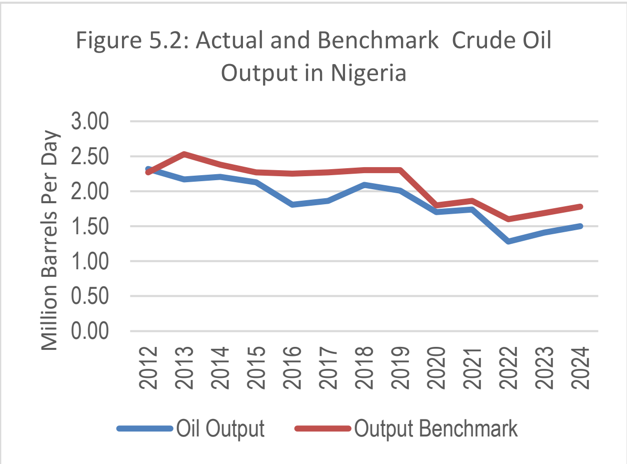
As Figure 5.1 shows, Bonny light crude oil price has declined from an average of US$85.27 per barrel in 2023 to US$77.18 per barrel by September 19, 2024.

The World Bank expects crude oil prices to rise in 2024, mainly reflecting geopolitical tensions. The key upside risks relate to lower U.S. energy supply, weather and climate-related disruptions, and the possibility of further escalation of the conflict in the Middle East. This could lead to substantial disruptions to energy supply and significantly higher oil prices. The major downside risks include higher OPEC+ oil supply, subdued global GDP growth and tepid demand.

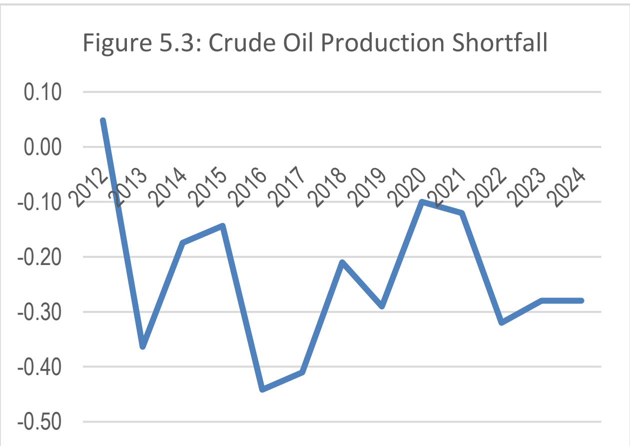
Energy Information Administration (EIA) expects expect current withdrawals from global oil inventories to continue into the fourth quarter of 2024. This is expected to put some upward pressure on crude oil prices. Hence, EIA forecasts Brent crude oil spot price to average US$82 per barrel in the fourth quarter of 2024 and US$84 per barrel in 2025. The World Bank projects the price of Brent crude oil to average US$84 per barrel in 2024, trending afterwards to an average of US$79 per barrel in 2025 as supply conditions improve.

5.4.2 Crude Oil Production Volume

The significance of crude oil and gas production in the Nigerian economy has reduced significantly in recent times. The contribution of the sector to the real GDP declined from 8.78% in 2019 to 5.7% in 2023, and 5.4% in the second quarter of 2024. From 1.81 million barrels a day (mbpd) in 2016, average crude oil and condensate production (net of incremental production for Repayment Arrears) peaked at 2.09 mbpd in 2018 but declined continually thereafter to 1.7 mbpd in 2020 and 1.28 mbpd in 2022. Data from the Nigerian Upstream Regulatory Commission (NUPRC) shows that an average of only 1.50 mbpd of crude oil was produced between January and July 2024 as against the output benchmark of 1.78 million barrels per day.



As Figure 5.3 shows, actual daily crude oil production has trended below budget projections since 2013. The divergence increased markedly recently, reflecting production challenges such as increased cases of crude oil theft and pipeline vandalization, shutdown of flow stations for pipeline leakage repairs, terminal maintenance, and flare management. Crude oil production shortfalls increased recently from an average of 0.10 mbpd in 2020, to 0.32 mbpd in 2022 and 0.28mbpd in 2024 (January to July) (Figure 5.3).



Nigeria's installed oil production capacity is estimated at 3mbpd, while technical capacity is estimated at 2.6mbpd. However, actual production has been much lower than the technical capacity and even lower than the OPEC quota. The performance of crude oil production far below technical capacity, OPEC quota and budget benchmark is attributable to oil theft, lack of investment in oil infrastructure, and inefficiencies in managing oil assets.

Crude oil production challenges have significantly affected crude oil output, exports and revenue performance over time. Despite recent reforms, petrol subsidies continue to have significant adverse impact on oil revenues. Recently, the 2023 final dividend due to the federation was withheld for payment of fuel subsidies.

Following consultations with stakeholders, crude oil production is projected to increase to **2.12 million** barrels per day in 2025, up from the 2024 projection of **1.78mbpd**. Of the **2.12mbpd**, **1.5mbpd** represents the OPEC production quota, while **620kbpd** is the production of Condensates. The goal is to increase crude oil production to 2.6 mbpd by 2027. The optimistic crude oil production outlook reflects the ambitious post-PIA aspirations of the sector and expectations of significant improvements in domestic crude oil production following the effective implementation of sectoral reforms.

To boost crude oil production in the medium term, key reforms will be implemented to address the challenges of oil theft, pipeline vandalism, infrastructure inefficiencies, and investment shortages. These measures are expected to enhance production capacity, optimize resource management, and attract investment to Nigeria's oil sector.

Security will be enhanced in oil production areas to protect oil installations and curb illegal activities. Advanced technologies and better surveillance systems will be employed to monitor oil flows and detect sabotage in real-time.

5.5 Non-Oil Revenue Baseline Assumptions

The assumptions underlying the non-oil revenue forecasts for the period 2025-2027 are outlined below. In view of the low revenue from crude oil, Government will implement various reform measures to broaden the revenue base, modernize and further improve tax administration, and enhance non-oil revenue collections. Efforts will be geared towards ensuring better compliance and closing loopholes. This involves bringing more businesses and individuals into the tax net, particularly in the informal sector, which has historically been under-taxed.

The medium-term non-oil revenue forecasts are based on effective implementation of these reform efforts in order to enhance the contribution of non-oil revenue sources to funding the FGN budget. The medium-term non-oil revenue estimates were estimated based on anticipated growth in the different tax bases, the effective tax rate, and the projected tax collection efficiency. Tax rates are assumed to remain the same in 2024.

Customs Collections: Import Duties, Excise, Fees and Special Levies

Import duty projections are based on the cost, insurance and freight (CIF) value of imports, applicable tariffs, and a projected efficiency factor. The growth of the nominal tax base is assumed to be driven by tax elasticity in the medium term. Other considerations include the foreign exchange rate, effective implementation of extant tax laws, the implementation of the Common External Tariff (CET) 2022-2026, and renewed focus on the implementation of the Africa Continental Free Trade Agreement (AfCFTA).

Companies Income Tax (CIT)

The CIT projections are based on estimated nominal GDP, Companies' Profitability Ratio, and further improvement in collection efficiency. The Gross Operating Profits of firms for which CIT forecast was derived is assumed to average N19.89 trillion in 2025, N20.22 trillion in 2026 and

N22.40 trillion in 2027 after adjusting for firms in informal sector, enterprises, etc. Estimates were derived taking into consideration significant growth of domestic economic activities as well as the effective implementation of the National Development Plan 2021-2025. Other important assumptions include significant improvement in the Nigerian business and investment environment and successful broadening of the tax net.

Value Added Tax (VAT)

The VAT was projected using estimated aggregate nominal consumption, taking into account vatable items and collection efficiency. Consumption expenditure on which VAT is charged is assumed to increase from an average of N97.32 trillion in 2025, to N104.18 trillion in 2026 and N119.42 trillion in 2027, after adjusting for exemptions, zero rated items and companies whose turnover fall below the N25 million threshold. Like the CIT, more VAT payers are expected to be brought into the tax net with the effective implementation of reform measures. The VAT projections over the medium-term are based on holding the rate at 7.5%. Raising the VAT rate however remains a policy option for government to keep in view over the medium term.

In the medium term, Government will further intensify efforts aimed at improving VAT coverage and collection efficiency. Wider coverage and improved collection efficiency will be achieved through nationwide VAT registration and monitoring, and deployment of ICT (auto-collect) platforms in more sectors of the economy.

Electronic Money Transfer Levy

The Electronic Money Transfer levy will continue to be implemented in the medium-term. Compliance with the approved Regulations governing the administration of the levy will be enforced to significantly improve collections over the medium term. Electronic Money Transfer levy is projected based on the estimated volume of chargeable number of online transfer transactions of 4.6 billion in 2025, 5.3 billion in 2026 and 6.1 billion in 2027.

Stamp Duty

Stamp duty is estimated based on the projected Government (Federal Government and States) capital expenditure of ₦13.9 trillion for 2025, ₦15.5 trillion for 2026, ₦17.1 trillion for 2027 using 2024 as the base year.

FGN Independent Revenue

The Independent revenue of the Federal Government was estimated taking into consideration recent efforts aimed at addressing revenue leakages, excessive spending and weak accountability of Government-Owned Enterprises (GOEs). The estimation of Operating Surpluses (the main component of FGN Independent Revenues) is based on strict and effective implementation of the various measures introduced to ensure that GOEs operate in a more fiscally responsible manner. Additional measures and tighter performance management framework will be introduced to ensure greater fiscal discipline among the GOEs and substantially improve remittances in the short to medium term. Accordingly, independent revenue collections are expected to be considerably higher than projections. Expected improvements in returns on government owned investments/assets from the restructuring of Ministry of Finance Incorporated (MOFI) have not been factored into these projections.

5.6 Tax Expenditures

Waivers, concessions, exemptions, etc., would be capped at a percentage of the government's projected related tax revenue. For 2025, the initial projections are up to N3.22 trillion. This includes tax expenditures on Company Income Tax, Value Added Tax, Import Duties, Petroleum Profit Tax, and Road Infrastructure Tax Credit Scheme. In this regard, only the appropriated tax expenditures would be eligible for disbursement, and all other revenues related to items that should have enjoyed a waiver will be collected and remitted to the Federation Account. Also, the beneficiaries of tax waivers may be required to pay the statutory fees into government coffers and present proof of eligibility for a refund.

6.0 MEDIUM-TERM MACROECONOMIC FRAMEWORK: PARAMETERS AND TARGETS FOR 2025-2027

6.1 Macroeconomic Projections

The medium term is projected to record an increase in key macroeconomic parameters, indicating a continuous gradual rebound of the Nigerian economy. However, the oil price benchmark is projected to moderate while the exchange rate is projected to average N1400/$ over the medium term.

Table 6.1: Key Parameters and other Macroeconomic Projections

Description	2024 Budget	2025	2026	2027
Oil Price Benchmark (US$/b)	77.96	75.0	76.2	75.3
Oil Production (mbpd)	1.78	2.06	2.10	2.35
Exchange Rate (N/$)	800.00	1,400.00	1,400.00	1,400.00
Inflation (%)	21.40	15.75	14.21	10.04
Non-Oil GDP (N'bn)	223,989.2	301,255.1	356,743.3	409,255.4
Oil GDP (N'bn)	12,316.0	36,783.7	40,744.5	48,667.5
Nominal GDP (N'bn)	236,305.2	338,038.8	397,487.9	457,923.0
GDP Growth Rate (%)	3.8%	4.6%	4.4%	5.5%
Imports	32,453.5	66,898.7	65,670.9	65,698.3
Nominal Consumption (N'bn)	163,227.77	206,826.59	233,311.36	263,946.18

***Source**: Ministry of Budget & Economic Planning; NUPRC; BOF; NBS*

The projected economic growth rate for the 2025-2027 Medium-Term Expenditure Framework indicates that growth is expected to increase gradually over the next three years. Real GDP is projected to increase to 4.6% in 2024, moderate to 4.4% in 2025 and then rise to 5.5% in 2026. The principal drivers are increased investments in infrastructure, agriculture, and social services. While the economy is still largely consumption-driven, most of the growth in real GDP during the period will be driven by the anticipated increase in domestic oil refining capacity, telecommunications, crop production, and employment, with the bulk of projected growth coming from the non-oil sector. Targeted investments through the Renewed Hope Infrastructure Development Fund will significantly improve growth.

Nominal consumption is projected to increase to N206.83 trillion in 2025 and N233.31 trillion and N263.95 trillion in 2026 and 2027, respectively, due to the expected increase in wages following the new minimum wage and cash transfers to households. These factors will also impact the inflation rate, which, although projected to decline to 15.8% in 2025, will remain at a lower double-digit level over the medium term.

Import of goods is projected to increase to N66.90 trillion in 2025 because of currency depreciation but is expected to slightly decline to N65.67 trillion and 65.70 trillion in 2026 and 2027, respectively, as the depreciation effect would have waned. A reduction in inflation rate is anticipated in 2026 and 2027 due to the lag effect of tight monetary policy on demand for goods and services, expected lower deficit financing and reduction in supply-side constraints occasioned by a drastic reduction in domestic insecurity, improved infrastructure, and generally better operating environment for businesses.

6.2 2025-2027 Medium-Term Fiscal Framework (MTFF)

6.2.1 Federation Account Revenues

Based on the underlying assumptions for the medium term, the Federation Account revenues are expected to increase as the government sustains its policy on petrol subsidy removal and a market-determined exchange rate. In addition, increases in non-oil taxes are projected to boost accretion into the Federation Account significantly.

The projected net amount accruable to the Federation Account in 2025 is N58.79 trillion. Of this amount, N51.61 trillion is projected to flow into the Main Pool, while N6.95 trillion and N228.85 billion are projected to accrue to the VAT Pool and EMTL, respectively. Oil revenues are projected to be N40.42 trillion, about 69% of total Federation Account receipts and 78% of Main Pool receipts. The Federation Account revenues include Corporate Tax of N5.66 trillion, Customs Revenue of N3.21 trillion, Special Levies of N677.07 billion, NLNG Dividend of N1.40 trillion, Solid Minerals of N31.93 billion, and Nigeria Police Trust Fund (NPTF) levy of N5 billion.

The share of the Federal Government from the Main Federation Account Pool will be N27.19 trillion, while the State and Local governments are projected to get N13.79 trillion and N10.63 trillion, respectively. The FGN share of revenue from the VAT Pool and EMTL are projected to be N1.04 trillion and N34.33 billion, respectively. The state shares from the VAT Pool and EMTL are projected to be N3.47 trillion and N114.42 billion, while those of the local governments are N2.43 trillion and N80.10 billion, respectively.

Table 6.2: Federation Account – Main Pool, VAT and EMTL Revenues (2025 – 2027)

FISCAL ITEMS	2024 NASS Approval + Amendment	2025 Budget Proposal	2026	2027
NET FEDERATION ACCOUNT (MAIN POOL)	**23,993,501,768,779**	**51,870,186,167,517**	**52,313,676,686,981**	**57,526,395,799,542**
Transfer to Police Trust Fund (0.5% of Fed. Acct.)	119,967,508,844	259,325,930,838	261,540,698,435	287,601,320,629
NET FEDERATION ACCOUNT - MAIN POOL (after 0.5% transfer to Police Trust Fund)	**23,873,534,259,935**	**51,610,860,236,679**	**52,052,135,988,546**	**57,238,794,478,913**
Net Oil Revenue after Costs, Deductions & Derivation	16,898,390,772,258	40,415,781,991,554	41,570,406,582,428	45,962,052,231,949
Net Solid Minerals Revenue after Derivation	9,392,516,339	31,928,259,692	36,335,425,187	41,337,384,448
NLNG Dividend	762,918,240,000	1,399,831,272,000	118,215,552,000	118,215,552,000
Net Corporate Tax Distributable	3,036,242,280,088	5,660,440,956,473	6,699,490,293,191	7,657,516,656,134
Net Customs Revenue Distributable	2,654,709,885,826	3,211,001,325,226	2,839,790,378,850	2,670,160,361,132
Net Special Levies Distributable	511,880,565,423	886,876,431,735	782,360,756,890	783,380,619,449
NPTF Levy		5,000,000,000	5,537,000,000	6,131,673,800
NET FEDERATION ACCOUNT (VAT POOL)				
Net Federation Account - VAT Pool (after CoC and Transfers to NEDC and NPTF)	**3,663,095,695,937**	**6,949,482,718,752**	**8,040,394,603,473**	**9,096,134,369,282**
FEDERATION ACCOUNT (EMTL)	**175,111,289,611**	**230,000,000,000**	**265,000,000,000**	**305,000,000,000**
Transfer to Police Trust Fund (0.5% of Fed. Acct.) from EMTL	875,556,448	1,150,000,000	1,325,000,000	1,525,000,000
Net Electronic Money Transfer Levy after transfer to NPTF	**174,235,733,163**	**228,850,000,000**	**263,675,000,000**	**303,475,000,000**
DISTRIBUTION				
Distribution - Federation Account (Main Pool, VAT Pool and EMTL)	**27,710,865,689,034**	**58,789,192,955,432**	**60,356,205,592,019**	**66,638,403,848,195**
Main Pool	**23,873,534,259,935**	**51,610,860,236,679**	**52,052,135,988,546**	**57,238,794,478,913**
FGN's Share of Main Pool Account (52.68%)	12,576,577,848,134	27,188,601,172,683	27,421,065,238,766	30,153,396,931,491
States' Share of Main Pool Account (26.72%)	6,379,008,354,255	13,790,421,855,241	13,908,330,736,140	15,294,205,884,766
Local Govt.'s Share of Main Pool Account (20.60%)	4,917,948,057,547	10,631,837,208,756	10,722,740,013,641	11,791,191,662,656
VAT Pool	**3,663,095,695,937**	**6,949,482,718,752**	**8,040,394,603,473**	**9,096,134,369,282**
FGN's' Share of VAT Pool Account (15%)	549,464,354,390	1,042,422,407,813	1,206,059,190,521	1,364,420,155,392
States' Share of VAT Pool Account (50%)	1,831,547,847,968	3,474,741,359,376	4,020,197,301,737	4,548,067,184,641
Local Govt.'s Share of VAT Pool Account (35%)	1,282,083,493,578	2,432,318,951,563	2,814,138,111,216	3,183,647,029,249
Electronic Money Transfer Levy (EMTL)	**174,235,733,163**	**228,850,000,000**	**263,675,000,000**	**303,475,000,000**
FGN's' Share (15%)	26,135,359,974	34,327,500,000	39,551,250,000	45,521,250,000
States' Share (50%)	87,117,866,581	114,425,000,000	131,837,500,000	151,737,500,000
Local Govt.'s Share (35%)	60,982,506,607	80,097,500,000	92,286,250,000	106,216,250,000

6.2.1 FGN Revenue

The 2025 FGN Revenue is projected at N34.82 trillion (N8.95 trillion or 34.6% more than the 2024 Budget). This is made of N19.60 billion (56.3%) projected from oil and N15.22 trillion (43.7%) to be earned from non-oil sources. The FGN share of non-oil tax revenues is projected at N5.71 trillion compared to N3.52 trillion in 2024, while its share of Minerals and Mining revenues is N15.49 billion in 2025 from N4.56 billion in 2024. The projection for Independent Revenue is projected at N3.47 trillion, up from N2.69 trillion, while the projection for Grants and Donor funded projects is N711.11 billion.

The 2025 projections recognise dividends from the Bank of Industry, Development Bank of Nigeria, Galaxy Backbone, and NLNG, bringing the projection to N686.44 billion, 91.8% higher than 2024 estimates. The projected sum of other revenues, including FGN's share of Oil Price Royalty, Education Tax, Electronic Money Transfer Levy, and Drawdowns from Special Accounts, is N1.78 trillion.

Table 6.3: Overview of the Revenue Framework

	FISCAL ITEMS	2024 NASS Approval + Amendment	2025 Budget Proposal	2026	2027
AMOUNT AVAILABLE FOR FGN BUDGET (excluding GOEs retained revenue)		**23,015,525,914,642**	**31,953,714,451,400**	**32,489,230,685,750**	**35,432,291,275,131**
a	**Share of Oil Revenue**	**8,176,281,825,170**	**19,601,654,265,904**	**20,161,647,192,478**	**22,291,595,332,495**
b	**Dividends**	**357,923,133,707**	**686,439,926,080**	**64,261,214,400**	**64,940,479,400**
c	**Share of Minerals & Mining**	**4,555,370,424**	**15,485,205,951**	**17,622,681,216**	**20,048,631,457**
d	**Share of Non-Oil Taxes**	**3,521,207,272,130**	**5,708,137,156,641**	**6,134,336,782,518**	**6,665,295,627,299**
	Share of CIT	*1,472,577,505,843*	*2,745,313,863,889*	*3,249,252,792,198*	*3,713,895,578,225*
	Share of VAT	*512,833,397,431*	*972,927,580,625*	*1,125,655,244,486*	*1,273,458,811,699*
	Share of Customs	*1,287,534,294,626*	*1,557,335,642,734*	*1,377,298,333,742*	*1,295,027,775,149*
	Share of Federation Acct. Levies	*248,262,074,230*	*430,135,069,392*	*379,444,967,092*	*379,939,600,433*
e	NPTF Levy		2,425,000,000	2,685,445,000	2,973,861,793
f	Share of Electronic Money Transfer Levy (formerly called Stamp Duty)	24,393,002,643	32,039,000,000	36,914,500,000	42,486,500,000
g	Share of Oil Price Royalty	24,169,090,276	360,799,503,479	309,763,765,438	270,983,864,307
h	Revenue from GOEs	4,853,565,246,556	4,069,565,246,556	4,387,477,031,247	4,745,915,124,664
i	GOEs Operating Surplus (80% of which is captured in Independent Reve	(1,992,484,776,894)	(1,199,292,499,539)	(1,371,015,229,314)	(1,550,112,015,285)
j	Independent Revenue	2,691,775,748,763	3,465,343,761,488	3,505,601,458,971	3,653,497,276,348
k	Draw-down from Special Levies Accounts	300,000,000,000	300,000,000,000	300,000,000,000	300,000,000,000
l	Signature Bonus	251,455,481,172	-	-	-
m	Recoveries + Assets + Fines	-	82,704,244,858	107,501,214,315	139,740,135,410
n	Grants and Donor Funding	685,632,294,000	711,111,387,000	621,399,828,000	621,399,828,000
o	Education Tax (TETFUND)	700,000,000,000	990,000,000,000	1,230,182,048,415	1,362,303,600,415
p	Additional Revenue to Fund the 2024 Budget	6,278,132,696,357			
AMOUNT AVAILABLE FOR FGN BUDGET (including GOEs)		**25,876,606,384,304**	**34,823,987,198,417**	**35,505,692,487,684**	**38,628,094,384,511**

6.2.2 FGN Expenditure

6.2.3 Aggregate Expenditure

The FGN's 2025 Budget estimates its aggregate expenditures at N47.90 trillion. This includes the GOEs' expenditures of N2.73 trillion and grants/donor-funded projects of N711.11 billion. The proposed 2025 Budget represents 36.6% (or about N12.85 trillion) higher than the 2024 FGN aggregate expenditure estimate of N35.06 trillion.

The 2025 expenditure estimate includes statutory transfers of N4.26 trillion (this includes provisions for the newly established South East Development Commission, South West Development Commission, and North West Development Commission), debt expenditure of N15.81 trillion (including N430.27 billion for the Sinking Fund for retiring maturing bonds issued to local contractors/creditors), and non-debt recurrent expenditure of N14.21 trillion. N9.64 trillion (including N1.02 trillion for GOEs) is provided for personnel and pension costs. This is an increase of N3.56 trillion or 58.7% over the 2024 provision and is mainly due to the implementation of the new minimum wage and its consequential adjustments.

In line with its commitment to improving primary healthcare, N282.65 billion is made as a first-line deduction for the Basic Health Care Provision Fund (BHCPF) statutory transfer. Also, N231.78 billion has been set aside in the service-wide votes for GAVI/Routine Immunisation.

The aggregate amount estimated for capital expenditure in the 2025 budget is N16.48 trillion, representing 34.4% of total expenditure. This provision is higher than the capital provision of the 2024 Amended Budget by 11.2%. The 2025 capital provision comprises N6.04 trillion for MDAs, N1.19 trillion for capital supplementation, N2.86 trillion for capital component of statutory transfers, N7 billion for Family Home Fund, N820.91 billion capital budget of GOEs, N711.11 billion for donor/grant funded expenditures and N3.55 trillion funded by project-tied multilateral/bilateral loans. Other provisions, including TETFUND capital and transfer to the National Social Investment Authority (NSIA), amount to N1.30 trillion. In addition, in line with this Administration's drive to stimulate economic activities in targeted sectors, create jobs, improve critical infrastructure under the Renewed Hope Infrastructure Development Fund, the Federal Government will provide sovereign guarantees for long-term financing of up to N3 trillion for the recapitalization of the Bank of Agriculture (BOA), Federal Mortgage Bank of Nigeria (FMBN), InfraCorp, Ministry of Finance Incorporated (MOFI) and NEXIMBANK through the issuance of a long-term bond. The strategy is to on-lend through commercial banks to support businesses and economic development.

Table 6.4: Overview of the Expenditure Framework

FISCAL ITEMS		2024 NASS Approval + Amendment	2025 Budget Proposal	2026	2027
STATUTORY TRANSFER		**1,742,786,788,150**	**4,259,150,750,843**	**4,166,381,533,536**	**4,525,978,525,745**
DEBT SERVICE		**8,047,298,455,073**	**15,383,801,173,794**	**15,520,821,315,539**	**19,498,180,259,381**
SINKING FUND		**223,662,151,758**	**430,268,229,614**	**388,540,316,118**	**296,205,220,177**
RECURRENT (NON-DEBT)		**11,268,513,380,852**	**14,212,740,269,101**	**14,381,975,772,487**	**14,592,234,201,647**
a	Personnel Costs (MDAs)	4,792,049,895,611	7,174,956,124,249	7,390,204,807,976	7,611,910,952,216
b	Personnel Costs (GOEs)	608,413,229,132	1,017,413,229,133	1,078,603,027,244	1,181,920,949,117
c	Overheads (MDAs)	673,163,154,610	1,231,659,364,881	1,293,242,333,125	1,357,904,449,781
d	Overheads (GOEs)	451,204,551,288	892,204,551,288	994,674,670,618	994,674,670,618
e	Pensions, Gratuities & Retirees Benefits	673,129,981,736	1,443,687,100,602	1,438,403,519,018	1,438,403,519,018
f	Other Service Wide Votes (including GAVI/Immunization)	3,770,552,568,475	2,138,319,898,948	1,860,338,312,085	1,674,304,480,876
g	Presidential Amnesty Programme	65,000,000,000	65,000,000,000	65,000,000,000	65,000,000,000
h	TETFUND - Recurrent	35,000,000,000	49,500,000,000	61,509,102,421	68,115,180,021
SPECIAL INTERVENTIONS (Recurrent)		**200,000,000,000**	**200,000,000,000**	**200,000,000,000**	**200,000,000,000**
AGGREGATE CAPITAL EXPENDITURE		**14,813,550,981,005**	**16,479,233,621,947**	**15,941,685,200,091**	**16,506,034,532,642**
a	Capital Supplementation	3,479,926,266,989	1,188,579,464,297	1,138,579,464,297	1,138,579,464,297
b	Capital Expenditure in Statutory Transfers	1,040,274,986,620	2,864,529,094,815	2,757,830,445,180	3,029,902,778,973
c	Special Intervention Programme (Capital) - Family Home Fund	7,000,000,000	7,000,000,000	7,000,000,000	7,000,000,000
d	Amount Available for MDAs Capital Expenditure	7,038,725,457,977	6,039,809,767,108	6,174,308,233,336	6,374,233,613,262
e	GOEs Capital Expenditure	820,908,398,828	820,908,398,828	804,070,709,084	809,686,754,648
f	TETFUND Capital Expenditure	665,000,000,000	940,500,000,000	1,168,672,945,994	1,294,188,420,394
g	Grants and Donor Funded Projects	685,632,294,000	711,111,387,000	621,399,828,000	621,399,828,000
h	Multi-lateral / Bi-lateral Project-tied Loans	1,051,914,486,314	3,545,996,006,420	2,960,059,808,762	2,960,059,808,762
i	FGN Share of Oil Price Royalty Transferred to NSIA	24,169,090,276	360,799,503,479	309,763,765,438	270,983,864,307
Capital Expenditure (Exclusive of Transfers)		**13,773,275,994,385**	**13,614,704,527,132**	**13,183,854,754,910**	**13,476,131,753,670**
TOTAL FGN BUDGET (Excluding GOEs & Project-tied Loans)		**32,123,096,104,655**	**41,624,142,764,815**	**41,804,165,476,882**	**46,442,387,777,474**
TOTAL FGN BUDGET (Including GOEs & Project-tied Loans)		**35,055,536,770,218**	**47,900,664,950,484**	**47,641,573,692,590**	**52,388,729,960,620**

6.2.4 *Fiscal Deficit and Deficit Financing*

The budget deficit is projected to be N13.08 trillion in 2025, from N9.18 trillion estimated for 2024. This represents about 38% of total FGN revenues and 3.87% of the estimated GDP. The deficit is due to the increased new minimum wage, pension obligation, other consequential adjustments, and increased debt costs. The administration aims to lower the deficit levels to the threshold stipulated in the FRA 2025 within the medium term. The deficit will largely be financed by domestic borrowings, considering the narrow window for external financing.

Table 6.5: Deficit, Financing and Critical Ratios

	FISCAL ITEMS	2024 NASS Approval + Amendment	2025 Budget Proposal	2026	2027
Total Fiscal Deficit (including Project-tied Loans)		(9,178,930,385,914)	(13,076,677,752,067)	(12,135,881,204,907)	(13,764,688,886,109)
GDP		236,305,190,724,943	338,038,823,908,356	397,487,864,160,349	457,922,963,053,995
DEFICIT/GDP (including Project-tied Loans)		(3.88%)	(3.87%)	(3.05%)	(3.01%)
TOTAL FGN EXPENDITURE		35,055,536,770,218	47,900,664,950,484	47,641,573,692,590	52,388,729,960,620
Total Non-Debt Expenditure		26,784,576,163,387	32,086,595,547,076	31,732,212,060,934	32,594,344,481,062
Capital Expenditure as % of Non-Debt Expenditure		55%	51%	51%	52%
Capital Expenditure as % of total FGN Expenditure		42%	34%	34%	32%
Capital Expenditure (Inclusive of Transfers, but exclusive of GOEs Capital & Project-tied loans) as % of FGN Expenditure		37%	25%	26%	25%
Recurrent Expenditure as % of total FGN Exp (incl. GOEs + Project-tied		58%	66%	66%	68%
Debt Service to Revenue Ratio (incl. GOEs + Project-tied Loans)		31%	44%	44%	50%
Deficit as % of FGN Revenue (incl. GOEs + Project-tied Loans)		35%	38%	33%	34%
ADDITIONAL FINANCING					
a	Privatization Proceeds	298,486,421,740	312,332,810,711	400,000,000,000	520,000,000,000
b	Multi-lateral / Bi-lateral Project-tied Loans	1,051,914,486,314	3,545,996,006,420	2,960,059,808,762	-
c	Financing for the Recapitalization of Development Banks and Finance Institutions		-		
d	New Borrowings	**7,828,529,477,860**	**9,218,348,934,936**	**8,775,821,396,145**	**13,240,635,576,109**
	Domestic Borrowing	*6,060,919,156,081*	*7,374,679,147,949*	*7,020,657,116,916*	*10,592,508,460,887*
	Foreign Borrowing	*1,767,610,321,779*	*1,843,669,786,987*	*1,755,164,279,229*	*2,648,127,115,222*
Sub-Total		9,178,930,385,914	13,076,677,752,067	12,135,881,204,907	13,760,635,576,109
Grand -Total (Revenue + Financing)		35,055,536,770,218	47,900,664,950,484	47,641,573,692,590	52,384,676,650,620

7.0 MEDIUM TERM OBJECTIVES, POLICIES AND STRATEGIES

This Fiscal Strategy Paper highlights the macroeconomic and fiscal policy objectives of the government over the period 2025-2027 and the strategies to be implemented to achieve them. It was prepared against the backdrop of subsisting macroeconomic, fiscal and development challenges in the country such as low economic growth, high inflation, insecurity, insufficient public service delivery, inadequate revenues, significant infrastructure deficits and weak social indicators.

7.1 Macroeconomic Policy Objectives

In line with the goals of the National Development Plan 2021-2025, in the medium term, government aims at restoring and preserving macroeconomic stability, improving the business and investment environment, enhancing national security, and achieving high and inclusive economic growth. Other key macroeconomic objectives include facilitating employment and job creation, promoting environmental sustainability, improving health crisis preparedness, as well as promoting human capital and social development. To achieve these objectives, fiscal, monetary and other economic policies will be aligned and implemented in a very coordinated manner.

7.1.1 Restoring and Preserving Macroeconomic Stability

A stable macroeconomic environment is important to catalyse private investment and accelerate economic growth. It enables businesses and households to effectively plan their production, investment and consumption activities. Currently, rising inflation and other macroeconomic headwinds threaten the survival of local businesses.

Over the medium term, Government will strengthen macroeconomic management and implement policies under the Accelerated Stability and Advancement Plan (ASAP) aimed at inflation reduction and price stability for higher investment and sustained inclusive growth. This includes strategies to moderate inflationary pressures, provide critical infrastructure to lower the cost of doing business, lower market interest rates, and sustain market reflective exchange rate through pragmatic foreign exchange management. Rising inflation from policy distortions and supply shocks will be addressed through sequenced and coordinated mix of trade, monetary and fiscal policies to improve economic performance and protect human welfare.

Nigeria has transitioned to a more transparent foreign exchange management system. It is projected that the current volatility in the Naira exchange rate will moderate, and the Naira will begin to appreciate as fiscal, monetary and trade policies become better aligned. This outcome will be aided by policies that seek to eliminate uncertainty and restore investors' confidence in the exchange rate market. The macroeconomic environment will be further stabilized as Nigeria sets on a fiscally sustainable path through accelerated domestic revenue mobilisation and better expenditure management, moderate fiscal deficits, and a healthy debt sustainability framework.

7.1.2 Improving Business and Investment Environment

Investment opportunities abound in the various sectors of the Nigerian economy. However, private investment has been very low. The government is committed to addressing the key challenges impeding business growth. Current efforts aimed at improving the business and investment environment for private investment to thrive and drive growth will be sustained.

Government will introduce more business and investment-friendly reforms for businesses to thrive nationwide. Government intends to lighten tax burdens, as well as harmonise and effectively manage existing taxes.

Government will pursue necessary reforms in the regulatory environment to position Nigeria as an investment destination of choice. The leadership has demonstrated strong commitment and political will for the implementation of bold and progressive policies required to transform the economy. Government is also committed to ensuring robust and wide consultation with stakeholders in the medium term, within the framework of predictable, coherent and consistent policies.

Power generation and supply have continued to be poor despite the privatization of generation and distribution since November 2013, with over N2 trillion spent by the government on subsidising the value chain. As long as power supply remains abysmal, industrial development will remain elusive. The government will further promote the ideals of a competitive electricity market, open the sector to competition, provide affordable electricity to consumers, and increase power generation/distribution capacity.

In the medium term, government will also increase investment in capacity expansion of critical power grid infrastructure, especially projects that can be delivered quickly to optimize grid reliability, interconnectedness and wheeling capacity. The implementation of the Presidential Power Initiative will be accelerated to enhance government's efforts at revamping power supply nationwide.

In addition, the government will address the challenges confronting the sector in a very comprehensive manner. The power sector governance reform will be reviewed and the implementation of energy transition plans will be accelerated. More importantly, government will facilitate the provision of critical infrastructure to lower the cost of doing business. It is expected that these efforts will enhance economic activities, domestic productivity, competitiveness and incentivize private investment thereby contributing towards realising the projected growth. Government will also enhance the access of small and medium enterprises in key sectors of the economy to sustainable finance to enhance their activities and improve their operational efficiency.

7.1.3 Enhancing National Security

Production activities have been hampered across the country by security challenges such as banditry, kidnapping, terrorism, insurgency and general insecurity. However, the security situation is gradually improving nationwide with recent Government investments in the procurement and production of modern defence and security equipment. In the past few years, the allocation to the security sector has averaged a 1% of GDP annually. In the medium term, expenditures related to national defence, border security, intelligence operations, internal security (banditry and kidnapping), counter-terrorism measures, and other security initiatives will be accorded top priority to ensure the country's safety and protection for improved:

- Economic activity and social life (including nightlife, which constitutes between 24-40% of economies of states where they are functioning well);
- Farm productivity (food security);
- Access to education (especially for girls at a basic level) and
- Upstream oil and gas production.

The provisions would significantly focus on investments in the following:

- Defence equipment, especially in-country production of arms and ammunition.
- Barracks accommodation to cater for military personnel experiencing homelessness.
- Welfare and training of personnel.
- Cybersecurity and emergency response capabilities.
- Increasing the size of security personnel.

The internal security architecture will be further overhauled, and new operational strategies will be introduced to enhance law enforcement capabilities and safeguard lives, properties and investments across the country. The various services will work proactively and collaboratively to address subsisting security challenges nationwide to achieve enduring peace, stability and public safety in order to provide the secure environment required for economic activities to thrive in various communities. The improvement in the security situation will further improve the investment environment.

7.1.4 Stimulate and Sustain Inclusive Economic Growth

Nigeria's economy is projected to grow by 3.68% in 2025, up from the 2.74% recorded in 2023 and 3.55% estimated for 2024. To realize the projected real GDP growth target and the trillion-dollar GDP, high-impact initiatives will need to be implemented. The most productive and growth-enhancing sectors will continue to be prioritised in the allocation of resources, especially sectors that have job creation capacity and those that focus on exports. Capital budget allocation will reflect Government priorities in key sectors of the economy. In addition, competition, innovation and domestic productivity will be enhanced while new private investment will be incentivized. Government will further strengthen the frameworks for concessions and public private partnerships, including working with the legislature to address legal and regulatory bottlenecks undermining private investments in key sectors.

The Federal Government regards business owners/investors, whether local and foreign, as critical engines in the effort to achieve higher and inclusive GDP growth. Government will design and implement measures to formalize the informal sector businesses and enhance their capacity to produce. In addition to improving their operational efficiency, enhancing the access of small and medium enterprises to sustainable financing would further accelerate economic growth.

The establishment of the Renewed Hope Infrastructure Development Fund and regional commodity exchanges are key drivers for unlocking the country's economic potential, attracting investments, and positioning Nigeria as a competitive player in the global economy.

The Federal Government has allocated significant resources to establish the Renewed Hope Infrastructure Development Fund. The Fund aims to boost critical infrastructure projects across the country, including roads, bridges, airports, railways, and energy facilities. By investing in infrastructure, Nigeria seeks to enhance connectivity, stimulate economic activities, create jobs, and improve its citizens' overall quality of life. The establishment of this fund underscores the government's commitment to modernizing the country's infrastructure backbone and fostering long-term growth and development.

The establishment of regional commodity exchanges will provide a platform for farmers, traders, and other stakeholders to efficiently buy, sell, and trade agricultural commodities and other products. By promoting transparent pricing, reducing middlemen, improving market access, and enhancing trade facilitation, the regional commodity exchanges aim to boost agricultural productivity, increase income opportunities for rural communities, and foster inclusive growth. This initiative underscores the government's emphasis on revitalizing the agricultural sector, enhancing food security, promoting value chain development, and unlocking the potential of Nigeria's vast agricultural resources.

7.1.5 Enhance Employment and Harnessing Demographic Dividends

According to the National Bureau of Statistics, unemployment and underemployment rates of 5.3% and 10.6% respectively were recorded in the first quarter of 2024. Only 7.3% of Nigerian workers were in the formal sector while 14.5% of Youths were not in education, employment or training. The concentration of the nation's employment is in the informal sector constrains the ability of government to effectively support the sector, especially with critical credit, and the government's ability to generate revenue.

Nigeria's demographic trend indicates that the youth aged between 15 and 44 comprised about 35.8% of the total population as of 2016. Also, 49.2% of the total population were female in the period. Hence, the budget needs to focus on youth employment, especially capturing gender components. Capital allocation will consider assumptions about the employment rate and labour market conditions to ensure spending promotes sustainable job creation.

Efforts aimed at harnessing the vast economic potentials of the very large Nigerian youthful population will be renewed. To create adequate productive employment and prepare young people to fill them, government will further review the implementation framework of current interventions aimed at ensuring productive engagement of the youths to prevent them from engaging in criminal activities and other anti-social behaviour. Existing initiatives, like the will be improved for delivery effectiveness as well as improved outcomes and impact. The goal of the government is to create the enabling environment for the creation of new jobs and empower youths with digital skills for technology-related jobs. Relevant income tax laws will be amendment to facilitate employment opportunities for Nigerians in Nigeria within the global value chain, including the digital economy.

In the medium term, several skills development and work opportunity programmes will be implemented to enhance the employability of our youths, tackle the high level of youth unemployment and further promote youth development. Government will open up more sectors of the economy to competition and investment and intensify efforts to enhance the capacity of the workforce, through investment in education and training, and through measures to support people to set up businesses or move between jobs and sectors as the economy grows. Government will ensure that economic growth is jobs-rich to further boost consumer income. To promote and reap demographic dividend, the Government will facilitate new economic opportunities for more Nigerian youths to gain skills for employability and entrepreneurship.

7.1.6 Improving Health Crisis Preparedness

Nigeria remains susceptible to health emergencies, especially those on a global scale and those impacting the supply chain. To safeguard public health and economic stability, starting with the 2025 budget, government will prioritize provisions to improve the country's preparedness for potential health crises, pandemics, or emergency responses in the medium term.

The 2025 budget will also drive a strategy to achieve self-sufficiency in manufacturing essential medicines and medical equipment on the national essential drugs list. It will also focus on increasing access to and affordability of medicines for treating ailments peculiar to the poor (malaria, typhoid, tuberculosis, etc.).

Emphasis will be placed on domestic self-sufficiency in vaccine production, building sustainable storage and distribution of medicines, and escalating quality healthcare infrastructure to stem the tide of medical tourism in the six geopolitical zones and the FCT.

7.1.7 Promoting Environmental Sustainability

The 2025 Budget will prioritize integrating sustainability measures and green initiatives into budget planning to address climate change concerns, promote renewable energy sources, and reduce carbon emissions.

Environmental sustainability measures would be further highlighted in the budget call circular and MDAs training on budget preparation in a way that will enhance the achievement of the nationally determined contribution (increase the unconditional reduction of the 11 pollutants by 20% and conditional reduction target by 47% in 2030) and sustainable development of the country. The Budget will also commit to reverse desertification to improve agricultural productivity.

7.1.8 Promoting Human Development, Social Welfare and Poverty Reduction

Human capital remains the most important resource for national development in Nigeria. Social investments also serve as a catalyst for economic growth through larger labour force, higher labour productivity, innovations, income growth and improved wellbeing of the population. Therefore, there is an urgent need to prioritise and scale up human capital investment in the medium term with focus on health, nutrition, education, and social protection for the poor, vulnerable and lower income groups.

To revitalize the Nigeria health system, key governance and financing reforms will be implemented under the Nigeria Health Sector Renewal Investment Programme, to accelerate Nigeria's progress towards Universal Health Coverage by saving lives, reducing physical and financial pain, and producing health for all Nigerians. The programme includes efforts to unlock healthcare value chain, boost domestic production of essential medical supplies and drugs, strengthen primary healthcare, improve access to healthcare, improve service delivery and create demand.

Government will ensure significant investment in social services, effective service delivery and equitable access to social services in Nigeria. As social spending had been characterized by low levels of efficiency and value for money, government will focus on ensuring value for money, greater transparency and accountability and scaled up collaboration with the private sector to expand access to services and improve outcomes. Government will also leverage private and development capital to address gaps in human capital investment. A more sustainable model of funding tertiary education will be implemented.

Social welfare and intervention measures shall prioritise the empowerment of the poor and vulnerable. Interventions shall be administered through reliable, auditableand verifiable means. Digital channels will be used as much as possible.

7.2 Fiscal Policy Objectives and Strategies

A comprehensive and coordinated review has been undertaken recently to enhance Nigeria's fiscal policy environment to meet current economic realities and address key concerns. In the medium term, Government aims to promote a coherent, equitable and efficient fiscal system that supports productive activities, delivers sustainable fiscal outcomes, and inclusive and competitive to achieve shared prosperity for the citizenry. Government shall not tax poverty, capital and investment, except where its otherwise necessary to achieve other socioeconomic goals. Fiscal policy will be designed to empower and provide social support for the poor and vulnerable people.

Government is committed to implementing transformative fiscal policy reforms aimed at achieving the following:

i. Enhancing government revenue and reducing fiscal pressures;
ii. Improving expenditure management
iii. Creating fiscal space for human capital and infrastructural investments;
iv. Promote fiscal discipline, fiscal prudence, transparency and consolidation; and,
v. Ensuring sustainable deficit and debt levels.

The reforms are designed to complement monetary policy measures with appropriate fiscal interventions to strengthen the naira and sustain exchange rate convergence. The medium-term fiscal strategy takes account of current events with important implications for Government's ability to raise revenues, finance its expenditures and manage its debt. The strategy recognizes the need to cushion the effects of economic reform measures on the poor and economically vulnerable in ways that create opportunities for job creation, increased productivity and inclusiveness.

7.2.1 Enhancing Government Revenue and Reducing Fiscal Pressures

Nigeria currently faces significant revenue challenge. The tax-to-GDP ratio is below the Africa average and among the lowest in the world. This has resulted to perennial fiscal deficit and reliance on borrowing to finance federal government budgets. Domestic revenue mobilization efforts have overtime been constrained by low tax rates, weak tax administration and high tax expenditures.

In the medium term, the Federal Government will adopt more innovative ways to expand government's fiscal space, diversify revenue sources and raise the revenues required to finance its expenditure. It is expected that growth, in the medium term, will generate the revenue necessary for future expansion of public service delivery, rebuild fiscal space, and narrow new borrowing requirement. Higher revenue collections would enable the Government to deliver public services more effectively, enhance infrastructure investment, improve investment in human capital booster-establish fiscal buffers.

Oil Revenue**:** In view of the considerable reduction in the fiscal significance of crude oil revenue recently, Government will implement new measures aimed at revamping oil revenue receipts while promoting diversification from dependence on oil revenues to finance the budget.

In particular, government will stamp out oil theft and pipeline vandalism in the Niger Delta in order to substantially grow oil and gas production. Government will introduce technology to track crude oil production and trace crude taken illegally from Nigeria. Government will also aggressively grow domestic refining capacity with the goal of becoming a net exporter of refined products. The implementation of the Host Community Trust Fund, in line with the Petroleum Industry Act, will secure the cooperation of oil producing communities.

Tax Revenues**:** Non-oil revenues are more stable and sustainable sources than oil revenue. To improve non-oil revenue receipts, revenue sources will be diversified by opening up new frontiers and reviving hitherto latent sources. In particular, Government will further unlock the potentials of the solid minerals sector. Considering the ease of collection, broad-based nature and the less distortionary impacts, government shall focus more on indirect rather than direct taxes. Tax changes will be data driven, and the relevant revenue and impact assessment on businesses and the government shall be analysed and quantified to the extent possible.

Some tax administration reform measures have recently been introduced for seamless payment of taxes. Additional measures will be implemented in the medium term to further improve tax administration and expand the non-oil revenue base. In addition, measures to support the growth of businesses in the informal sector are expected to bring more of them into the tax net and increase tax revenue.

Tax reliefs will be provided to the firms to encourage contributions to programmes, projects and initiatives designed to support and empower the poor and vulnerable people. Direct taxes shall contain reasonable exemption thresholds and minimize the tax burden where an exemption is not feasible. Such bands and exemption thresholds shall be kept under review and up-to-date to reflect current socioeconomic realities and avoid fiscal drag.

Strategies to achieve the revenue projections in the medium term include:

a. **Finance Acts:** Leveraging on relevant provisions in the Finance Act, 2019, 2020, 2021 and 2022 to support businesses, expand the tax net and optimise revenue collection.
b. Reviewing existing tax treaties and where necessary renegotiated to adapt to changing economic circumstances.
c. Expanding the list of VAT collection agents in line with Section 14 (3) of the VAT Act. The law empowers the FIRS to appoint any person as its agent to withhold or collect VAT and remit same to the Service.
d. Further simplifying tax compliance procedures, including ease of registration, filing of returns and payment, ensuring fairness and promoting formalisation.
e. Protecting businesses from exploitative informal taxes by non-State actors.
f. Adopting a risk-based approach to compliance monitoring and enforcement focusing on areas of high risk and using data to target tax non-compliant payers.
g. Reduction of revenues forgone through tax expenditures (corporate bonds interest income exemptions, Capital Gains Tax exemptions, etc) and eliminating double dipping.

h. Leveraging technology, such as the automated tax administration system (TaxPro Max and E-services) to further simplify tax processes, drive voluntary tax compliance, increase revenue collection and create a tax environment that is conducive for taxpayers to fulfil their tax obligations.

i. Scaling up automation of VAT in major supermarkets, the hospitality sector and other key retail outlets nationwide to block leakages and improve VAT collection.

j. Effectively using technology and tax intelligence to further support compliance efforts – desk reviews, audits, and investigation. Create a Real Time Online Data Mining Portal to enhance the Strategic Intelligence and Data Mining function of the FIRS and access data to validate information provided by taxpayers or reveal non-compliant taxpayers.

k. Linking FIRS database to those of relevant agencies such as NIBSS, NCS, NCC, CAC, etc, which can be harnessed for third-party intelligence gathering to improve and enforce compliance.

l. Enhancing stakeholder collaboration and engagement to check leakages, evasion as well as enforce and improve compliance.

m. Sustenance of taxpayer education, engagement/enlightenment through the print and electronic media (TVs, Radios, Newspapers), workshops as well as other outreaches.

n. Enhancing the capacity of tax revenue officials to effectively discharge their responsibilities in handling of tax cases.

o. Monitoring banks and other financial institutions to conduct reconciliation and to ensure deduction and remittance of Electronic Money Transfer levy.

p. Intensifying engagements with the Federal and States MDAs as well as other taxpayers for effective collaboration and enhanced taxpayer confidence and compliance.

Customs Revenue

In the medium term, the Nigeria Customs Service (NCS) will prioritize its trade facilitation role, driving efficiency in service delivery, enforcement and revenue generation. There will be renewed emphasis on transparency, professionalism and compliance in customs operations. Through technologically driven, collaborative and intelligence-led customs operations, the NCS will further enhance collaboration with international partners, law enforcement agencies, customs administration of other countries to combat illicit trade and secure national interests.

The following strategies will be implemented to improve Customs revenue collections over the period 2025-2027:

i. Addressing all subsisting challenges to the transition and successful implementation of the e-Customs Project geared towards complete automation and simplification of Customs processes, including payments, in every Customs formation.

ii. Effective implementation of the penalties and other measures embedded in the reviewed Customs and Excise Management Act (CEMA) Cap C45 L.F.N. 2004 in the medium term.

iii. Robust and intensified anti-smuggling campaign and border management drive in collaboration with other government law enforcement agencies, towards reducing to the barest minimum, illicit trade and acts of economic sabotage that create sphere for revenue leakages. Artificial Intelligence Instrument will be used in border surveillance under the e-Customs Project to check smuggling and enhance revenue collection;

iv. Prioritisation of continuous and exhaustive Post Clearance Auditing mechanism to recover revenue losses.

v. Staff capacity development through training of the existing workforce and recruitment of new officers to promote efficiency, intelligence gathering, manpower re-enforcement and most importantly, improved revenue generation.

vi. Effective implementation of the customs trade modernization project and ensuring that the modernized and digitalized service do not lead to job losses. The Fast Track Trader Programme will be upgraded to enhance trade facilitation;

vii. Full implementation of the 2022 - 2026 ECOWAS Common External Tariff;

viii. Assessment and monitoring of all revenues collected on behalf of the Service by the various designated commercial banks. This will create avenue for genuine reconciliation of all accrued revenues against claimed remittances to the various designated government accounts. This will also guide against diversion of any collectible revenue;

ix. Automation of all transit procedures from mother Ports to Bonded terminals and/or from Command to Command to drastically reduce transit leakages occasioned by diversion of cargo among others;

x. The use of the Government Integrated Financial Management Information System (GIFMIS) module to enhance collection, reconciliation and audit trail of all relevant proceeds to block all opportunities to defraud the system;

xi. Continuous collaboration and engagement with stakeholders and relevant players to achieve the Service's expectations in the medium term, and enhance compliance by bridging gaps and building confidence among players in the trade chain; and

Independent Revenues

To further enhance independent revenue generation and collection, Government will continue to optimize the operational and collection efficiency of the GOEs. The key elements of the medium-term initiatives include:

- Regular monitoring and monthly/quarterly reporting of revenue and expenditure performance of GOEs by the Office of the Accountant General of the Federation and Budget Office of the Federation; Monthly remittance of interim operating surplus and reconciliation of cumulative remittances at year end after audit;

- Submission of annual budgets by GOEs to the Budget Office of the Federation for review and compilation for submission to the National Assembly along with the national budget; Consideration and passage of budget of the GOEs alongside the main budget of the Federal Government;

- Subjecting annual budget of GOEs to the same level of scrutiny, procurement and monitoring processes as for MDAs;
- Mandatory use of the Treasury Single Account for all financial transactions;
- Exclusion of agencies with capacity for self-funding from allocations in the Federal Budget;
- Imposition of appropriate sanctions for unauthorized use of Internally Generated Revenues;
- Introduction of incentive mechanism for good revenue generation performance; and
- Amendment of relevant sections of the Acts establishing some of the GOEs to reflect current economic realities and policy thrust of government.

7.2.2 Improving Expenditure Management

In the medium term, government spending policy will reflect its priorities, goals, values, fiscal capacity and constraints. Emphasis will be on effective and efficient allocation of public resources. The government will assess and manage fiscal and other risks associated with spending and develop contingency plans to address unforeseen circumstances.

Personnel Cost

The 2025 FGN personnel cost expenditure is expected to increase significantly to align with the updated National Minimum Wage. The personnel cost for FY2023 was **N3.83 trillion**. As of July, the figure for FY2024 is N2.67 trillion, 65% of the N4.10 trillion appropriated in the 2024 Budget. For 2025, the personnel cost is projected to increase by about 60% due to adjustments in minimum wage and consequential adjustments, which will directly impact employees' salaries. Also, the employee and employer contributions to pension and NHIS will be affected as part of the personnel cost.

Pension Rates

The reviewed pension rates for pensioners in the Service Wide Vote will be higher in FY2025. Following the minimum wage adjustments, the employee and employer contributions to pension and NHIS will be affected as part of the personnel cost. Also, the FGN has reviewed the pension rate of pensioners between 20% and 28%. This revised rate is effective 1st June 2023. The 2025 budget will make provisions based on the revised pension rates for eligible pensioners. This will ensure compliance with the updated rates for proper budgetary provision.

Overhead Cost

The provision for MDA overhead has been low over the years and is treated as a residual item. However, for FY2025, the overhead expenditure of MDAs will be increased to reflect and match the capital expenditure and consider the prices of goods and services.

Interest Rate

The provision for debt service will increase significantly due to the size of the country’s debt and higher interest rate on borrowing following several adjustments of the MPR to 27.25% as of September 2024. We will rely on the Debt Management Office (DMO) to provide a debt service projection once we estimate the financing gap for the 2025 Budget.

Efforts will be geared towards promoting a debt restructuring strategy to free up resources for increasing government spending on critical infrastructure with the decline in household and private sector spending. Non-commercial long-term facilities with tenors ranging between 10 and 50 years, with a significant moratorium of 5 to 7 years will be explored.

Capital Budget

The immediate imperative is to aggressively allocate resources to stimulate inclusive growth, create new jobs, and achieve sustainable development based on the Renewed Hope Infrastructure Development (RHID) Plan and critical ongoing projects aligned to the revised 2021-2025 NDP and the ASAP 2024.

A data effective budget monitoring and evaluation framework will be implemented to achieve budget objectives and ensure effective utilisation of allocated resources. MDAs, especially in the Defence sector, must be more cooperative during budget monitoring exercises, for effective oversight of MDAs' spending. Furthermore, the outcomes of the budget monitoring exercise will be designed to influence subsequent allocations as an incentive for better performance.

7.2.2 Creating Fiscal Space for human capital and Infrastructure Investments

In 2025-2027, Government will create additional fiscal space for sustained public sector human capital and infrastructure spending. This will significantly contribute towards the effective implementation of the Renewed Hope Infrastructure Development Plan. Government will ensure strict compliance with tax laws in all sectors and the remittance of all revenues due to government. Expenditures will be assessed by the contribution to growth and revenue-generating capacity. The Government will continue to clean the payroll and rationalize the wage bill.

Nigeria requires a huge outlay of resources to close current infrastructure gaps and boost its economic performance. In the 2025 Budget, public-private partnerships, private-sector infrastructure financing, and multilateral and bilateral project-tied loans will be optimized. Government will develop projects that are good candidates for Public Private Partnership (PPP) by their nature for private sector participation.

Government will leverage private and donor capital to supplement human capital and infrastructure investments from the Budget. In this respect, Government will further strengthen the frameworks for concessions and public private partnerships (PPPs). Capital projects that are good candidates for PPP by their nature will be developed for private sector participation. The Nigeria Health Sector Renewal Investment Programme will be delivered through a Sector Wide Approach that converges external actors around one plan, one budget and a common set of results.

7.2.3 Mobilising Private Capital for Energy Transition

Government is aware of the immense possibilities of attracting considerable Foreign Direct Investment (FDI), fostering GDP growth, driving industrialization, and creating millions of jobs through the implementation of the Energy Transition Plan (ETP)Initiatives like the Africa Renewable Energy Manufacturing Initiative (AREMI), which create opportunity for industrialisation through energy transition related interventions such as electronic vehicle (EV) assembly and Solar Photovoltaic (PV) manufacturing for Africa. Analysis from AREMI indicates that Africa can experience approximately 6.4% increase in GDP between 2021 and 2050 that is directly attributable to the energy transition. Relatedly, 8-14 million energy transition jobs can be created in Africa by 2030.

Nigeria will continue to position to take a leading role in Africa over the medium term to ensure it is able to meet its Energy Transition targets, as well as attract investment to fund the additional $10billion [annually] required to meet the aspirations of the Energy Transition Plan to achieve net zero by 2060. This will be achieved through private capital funding as well as high-level fundraising through multilateral engagements (including with G7, G20, United Nations General Assembly, etc), to mobilize significant financing. An example in this regard is the Just Energy Transition Partnership (JET-P) through which G7 countries have mobilized about $46.7 billion into South Africa, Indonesia, Vietnam and Senegal over the past two years.

7.2.4 Enhancing Fiscal Prudence and Transparency

Fiscal management will be strengthened in the medium term. Government will further enhance the budget formulation and implementation process and improve the efficiency and quality of its spending. Budget proposals by MDAs will be properly scrutinized to allow only priority spending and ensure value for money. Measures will be introduced to significantly improve the implementation of programmes and projects by MDAs. Government intends to enhance fiscal prudence and transparency through the following measures:

- Deemphasis of non-critical administrative spending;
- Prioritization of the completion of ongoing projects;
- Implementation of civil service reforms to reduce the cost of governance including policies that facilitate merger and streamlining of overlapping MDA functions and imposition of moratorium on the creation of new agencies. The need to create new agencies will be rigorously evaluated; only when no agency exists that performs the same function that such need may be considered;
- Agency-by-agency review of functions, expenditure patterns and staffing levels, outputs and results, and identification of functions to privatize.
- Increased public-sector transparency, especially for oil and gas operations and accounting;
- Review of current suite of fiscal incentives to further improve fiscal transparency; and
- Further strengthening treasury controls to speedily detect, eliminate and sanction instances of financial waste, misappropriation and corruption.

7.2.4 Ensuring Sustainable Deficit and Debt Levels

The rise in federal budget deficit overtime reflects the systemic revenue mobilization challenges, low oil and gas revenues, and sharp increase in fuel subsidy costs. The limited deficit financing options necessitated the reliance on money financing previously with the associated macroeconomic dislocations and cost. The discontinuation of fuel subsidies, reduction in waivers and tax expenditures, higher crude oil production and high oil prices are expected to reduce the growth of budget deficits and current government fiscal pressures.

In the medium-term, Government will explore cheaper and more flexible borrowing options to finance fiscal deficits. Focus in the medium term will be on accelerating the implementation of revenue mobilization measures for remarkable increase in government revenue. Government shall only borrow as a last resort and for specific purposes that contribute to long-term economic growth, or to address critical needs.

7.3 Monetary Policy Objectives and Strategy

The Central Bank of Nigeria (CBN) continues to implement a medium-term monetary policy framework (2025-2027) in order to free monetary policy from the problem of time inconsistencies and minimize overreaction due to temporary shocks. Consequently, benchmarks for monetary aggregates are generated using a Monetary Programme adapted from the IMF Financial Programming framework. The Programme looks at current macroeconomic fundamentals to achieve the Bank's mandate of maintaining monetary, price and financial system stability as a catalyst for inclusive growth. However, to better address persistent inflationary pressures in the economy, the Bank is currently on the path to transit to Inflation Targeting (IT) Framework. To complement the new inflation targeting environment, the CBN will continue to monitor the growth in monetary aggregates to ensure that it remains consistent with the inflation objective of the Bank.

In the fiscal year 2024, the outlook for the global economy remains highly uncertain, with the global economy grappling with the effects of the ongoing Iran-Israeli conflict, the Israeli-Hamas crisis and the lingering Russia-Ukraine war which have contributed to tepid growth and persistent surge in global commodity prices. These intertwined factors have introduced considerable challenges and vulnerabilities, posing significant risks to financial systems in the global economy. In response, IT central banks (CBs) across the globe sustained the contractionary stance in a bid to return inflation to target and keep expectations anchored, while the non-IT CBs attempted to moderate growth in the monetary aggregates.

On the domestic scene, inflationary pressures remain. The key drivers included: exchange rate pass-through, high food prices, increase in energy price, heightened insecurity, and the recent hike in electricity tariffs, alongside other structural deficits. In order to curtail these, the CBN, in addition to the change in the monetary policy framework, will monitor short-term interest rates to minimise volatility with the goal of anchoring expectations of economic agents.

In line with the CBNs' mandate, the monetary policy stance in 2024, will continue to focus on price and financial system stability without compromising growth.

7.3.1: Review of Macroeconomic Conditions (2023-2024)

The overall medium-term macroeconomic outlook indicates that global growth remains fragile coupled with high interest rates and increased debt burden. The development is heightened by the spillover effects of the Israeli-Hamas crisis and Iran-Israeli conflicts leading to high food and energy prices.

Furthermore, the domestic economy experienced a mixed performance characterised by a combination of challenges and positive developments. Gross Domestic Product contracted to 2.74 per cent in 2023 representing a 0.36 percentage point decline from 3.10 per cent in 2022. Consequently, growth forecast for Nigeria in 2024 stood of 3.58 per cent (CBN) 3.88 per cent (FGN) and 3.30 per cent (IMF).

The National Bureau of Statistics (NBS) indicates a continuous uptick in headline inflation in the first quarter of 2024. Year-on-year, inflation rose from 21.90 per cent in January 2024 to 31.70 and 33:20 per cent, in February, and March 2024 respectively, driven primarily by food components of inflation. The rise in food inflation on a year on-year basis was caused by increases in the prices of Bread and Cereals, Potatoes, Yam and other Tubers, Fish, Oil and fat, Meat, Fruit, Coffee, Tea and Cocoa. While core inflation was driven mainly by growth in prices of gas, Passenger transport by road, medical services, and pharmaceutical products, among others.

The Bank is currently rescinding from direct quasi-fiscal operations across different sectors of the economy, by allowing relevant institutions and agencies to directly interface with the real sector. This is expected to help in moderating the rise in general food prices in the first half of the year 2024. Meanwhile, the recent reduction in the prices of diesel by the Dangote refinery would further moderate the continuous rise in energy prices. Additionally, given the import-dependent nature of the economy, especially with petroleum products, the recent upward rebound of the Naira would further moderate the pass-through effect of the exchange rate which has consistently been driving prices upward.

In term of implementation of monetary policy, the major goal of the Programme remains the minimisation of adverse impact of market liberalisation, to ensure that the inflationary build up following the policy implementation is temporary. Thus, this intends to steer the economy towards achieving a low and stable inflation. Furthermore, the conduct of monetary policy would align with the goals of the Medium-Term Fiscal Framework within 2025-2027.

Careful considerations were taken to ensure that the financial programme produced a projection of monetary aggregate benchmarks that could deliver the FGN'S desired overall macroeconomic objectives. Though the economic fundamentals are bound to change while implementing these policies, the Bank, in collaboration with the fiscal authority, would periodically review the Programme and incorporate new developments in the macroeconomic landscape to ensure that monetary and fiscal policies follow a set path to ameliorate fiscal surprises that could endanger the actualisation of the programme outcomes.

7.3.2 Monetary Policy Stance

The Central Bank of Nigeria is dedicated to maintaining monetary, price, and financial system stability to promote inclusive and sustainable growth in the period 2025-2027. Therefore, the Bank would maintain a contractionary monetary policy stance to subdue the persistent inflationary pressures caused by both monetary and structural factors. This would be achieved by the continuous deployment of prudential and liquidity management tools to deliver the medium-term growth plan.

The Bank would maintain a proactive stance to ensure the delivery of sound, stable and efficient financial system in the conduct of monetary policy. Meanwhile, recent developments in the general price level and exchange rate management necessitated the Bank transitioning to IT framework. Currently, broad money growth remains the intermediate target, while movements in short-term interest rate would be closely monitored to counteract volatility and appropriately anchor market expectations.

The current Programme projections are designed to accommodate the tightening stance of the Bank in the short-medium term, with the view to provide appropriate growth in monetary aggregates to achieve price stability in the economy. Additionally, the Programme is anchored on the assumptions of market liberalisation, and private sector as catalyst for economic growth.

Sequel to the above, the detailed projections for the monetary variables during the period 2025-2027 period are presented in Table 7.1 below.

Table 7.1: Selected Macroeconomic Projections for the 2025 – 2027 MTFF

S/N	Indicator	2024	2025	2026	2027
1	Narrow Money (M1) (Billion Naira)	34,381.73	39,042.88	43,704.03	50,048.29
2	M1 Growth Rate (%)	15.68	13.56	11.94	14.52
3	Broad Money (M2) (Billion Naira)	90,599.74	102,882.39	115,165.04	137,039.06
4	M2 Growth Rate (%)	15.68	13.56	11.94	14.52
5	Broader Money (M3) (Billion Naira)	91,021.07	103,303.72	115,586.37	137,460.39
6	M3 Growth Rate (%)	15.60	13.20	13.46	18.92
7	Net Foreign Assets (NFA) Billion Naira)	11,962.02	16,062.93	20,053.34	26,529.16
8	NFA Growth Rate (%)	49.02	34.28	24.84	32.29
9	Net Domestic Credit (NDC) (Billion Naira)	115,396.54	134,604.37	153,812.20	173,020.03
10	NDC Growth Rate (%)	19.97	16.65	14.27	12.49
11	Net Credit to Government (NCg) (Billion Naira)	38,717.82	43,766.02	48,814.23	53,862.44
12	NCg Growth Rate (%)	14.99	13.04	11.53	10.34
13	Private Sector (DCp) (Billion Naira)	76,678.72	90,838.34	104,997.97	119,157.59
14	DCp Growth Rate (%)	22.65	18.47	15.59	13.49
15	External Reserves (US$ billion)	35.70	39.03	42.36	45.69
16	Average Exchange Rate (N/$)	926.71	921.53	905.59	832.71

Source: CBN Staff Estimates

The above projections reflect the inflation and growth trajectory for the period and are based on expected money growth, as inflation is considered a monetary phenomenon. In addition, an adjustment factor is included to capture the structural component of inflation.

The projections of the Net Foreign Assets are based on the expected moderation in foreign exchange market intervention and expectation of higher foreign investment, with an attendant increase in claims on non-residents in the economy, compared to the liabilities to non-residents.

The projection for the Net Domestic Credit though on the upward trajectory, reflects the expected credit dynamics in the economy. Credit to the Government is envisaged to decrease over the period due to the anticipated significant reduction in fiscal deficits financing and increase in government revenue due to tax reforms. On the other hand, credit to the private sector is projected to increase owing to the government's plan to achieve a higher level of growth driven by the private sector, to support the One Trillion Dollar Economy Plan.

The projection for a moderate appreciation of Exchange Rate is built in the full implementation of foreign exchange policies by the Bank. Meanwhile, External Reserves is expected to increase in the medium-term period, reflecting the anticipated accretion to reserves attributable to both Portfolio and Foreign Direct Investment. These projections could further be revised if the outcomes of the various reforms vary considerably from what is anticipated.

7.3.3 Challenges to Monetary Policy and Domestic Economic Outlook

To achieve the set goals, monetary policy needs to provide for a higher banking system credit to accelerate economic growth recovery given the global challenges. However, the current uptick in inflation in the year 2024, pressure at the foreign exchange market, extra-budgetary allocations and expanding budget deficit, constitute challenges for the projections during the period 2025 - 2027. Furthermore, domestic challenges like the lingering insecurity, flooding, and other unanticipated global shocks, could further induce inflationary pressures with negative consequences for the general price level.

Despite the above challenges, the Bank would continue to fine-tune its foreign exchange management policy to achieve stability. Generally, monetary policy would remain proactive in achieving a safe, stable, and sound financial system in line with its mandate. More importantly, the Bank would continue to monitor the monetary policy environment and complement the efforts of the fiscal authority, by strengthening fiscal-monetary policy coordination, to ensure the attainment of stable prices conducive for sustainable growth and development.

8.0 ANALYSIS & STATEMENT ON CONSOLIDATED DEBT & CONTINGENT LIABILITIES

8.1 Nigeria's Current Debt Profile

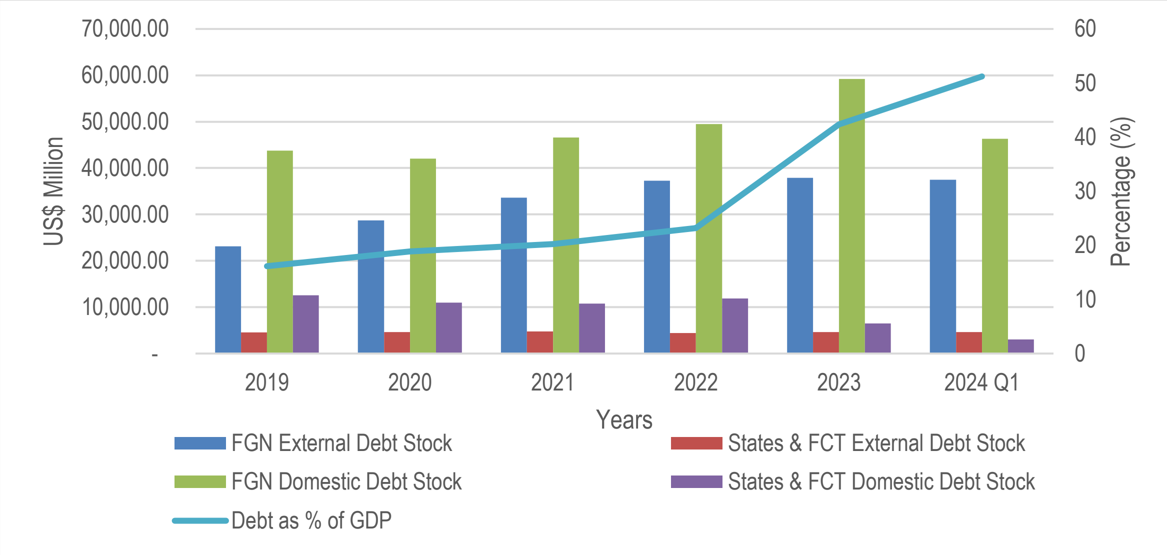
8.1.1 Debt Stock

Nigeria's Total Public Debt Stock comprising Federal Government of Nigeria (FGN), 36 States and Federal Capital Territory (FCT) as at March 31, 2024 was ₦121.67 trillion (USD91.46 billion). There was an increase of ₦24.33 trillion (24.99%) when compared to ₦97.34 trillion as at December 31, 2023. The increase of 24.99% was mainly due to increase in FGN's Debt stock by new Domestic Borrowings in the sum of ₦8.32 trillion by the Federal Government of Nigeria (FGN) to part finance the Budget deficit in the 2024 Appropriation Act and Ways and Means Advances, as well as the effect of the Naira depreciation on the external debt.

The increase in the Total Public Debt Stock was both in the External and Domestic Debt components. The increase of ₦17.80 billion in External Debt stock was mainly due to Naira depreciation from US$1/₦899.393 as at December 31, 2023 to US$1/₦1,330.26 as at March 31, 2024 and additional disbursements from existing multilateral and bilateral creditors. Total Domestic Debt Stock increased by ₦6.53 trillion or 11.04%, from ₦59.12 trillion in December 31, 2023 to ₦65.65 trillion as at March 31, 2024. The increase of ₦6.53 trillion was mainly from the new Borrowings by the FGN in the sum of ₦8.32 trillion to part finance the 2024 Appropriation Act and the Ways and Means Advances, whereas the States' Domestic debt decreased by ₦1.79 trillion or 30.61% from ₦5.86 trillion to ₦4.07 trillion.

Of the share of Total Public Debt as at March 31, 2024, External Debt stock was USD42.12 billion (₦56.02 trillion) constituting 46.05 percent, whereas the Total Domestic Debt was USD49.35 billion (₦65.65 trillion) or 53.95 percent of the Total Public Debt Stock. Figure 8.1 shows the trend in Total Public Debt outstanding for the period, 2019 - Q1, 2024.

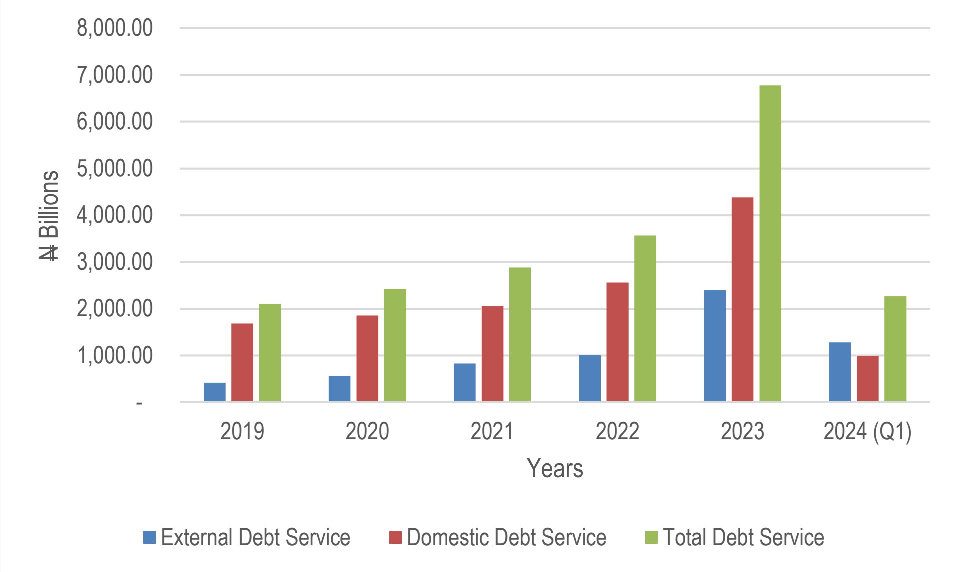
Figure 8.1: Trend in Nigeria's Total Public Debt Outstanding, 2019 – 2024 (Q1)



Source: DMO

The Total Public Debt service comprising External Debt Service of FGN, States and FCT, as well as FGN Domestic Debt Service amounted to ₦6.78 trillion in 2023 (External Debt Service amounted to ₦2.40 trillion, while Domestic Debt Service was ₦4.38 trillion) compared to ₦3.56 trillion in 2022. The increase of ₦3.22 trillion or 90.20 percent during the period was largely due to principal repayments to IMF and other Multilateral and Bilateral Creditors, in addition to increase in Domestic Debt service arising from the growth of Domestic Debt stock. The Total Public Debt Service in the period Q1, 2024 was ₦2.27 trillion (External Debt Services accounted for ₦1.28 trillion, while Domestic Debt Service accounted for ₦989.24 billion).

Figure 8.2 FGN's Total Debt Service, 2019 – Q1 2024



Source: DMO

8.1.2 Debt Management Strategy

The Medium-Term Debt Management Strategy (MTDS) serves as a guide to the borrowing activities of the Government in the medium-term of four (4) years. The MTDS focuses on the development of an optimal borrowing structure to meet the Government's financing needs, taking into consideration cost of borrowing and the associated risks.

Nigeria's Total Public Debt as percentage of GDP was 42.35% as at December 2023, which exceeded the Nigeria's self-imposed limit of 40% set in MTDS 2020-2023, but still remains within the 55% and 70% thresholds recommended by the World Bank and International Monetary Fund (WB/IMF) and the Economic Community of West African States respectively. A proposal to increase this limit is being prepared.

The exposure of the Total Public Debt portfolio to exchange rate risk is decreased marginally, as the share of Domestic Debt in the Total Public Debt has increased to 61% in 2023 from 60% in 2022. The Target Ratio of 70:30 for Domestic to External Debt under the MTDS 2020-2023 which, the DMO is expected to achieve by end of the year 2023 was not attained. However, the exposure to refinancing risk remained stable as a result of the strategy of issuance of long-term securities in the domestic and international markets in addition to accessing long term funds from multilateral and bilateral lenders. Moreover, the share of short-term debt in the Total Domestic Debt was only 12%, well within the 25% target. Sovereign Guarantees as percentage of GDP stood at 2.14% as of December 31, 2023, which was well within the 5% self-imposed threshold.

.

Table 8.1: Medium Term Debt Strategy [MTDS] 2020 – 2023 Key Targets

S/N	Indicator	Targets	Actual				Remarks
		2020-2023	2020	2021	2022	2023	

1	**Fiscal Sustainability** i. Total Public Debt/GDP ii. Sovereign Guarantees/GDP	Max. 40% Max. 5%	21.61% 2.75%	22.80% 2.64%	23.20% 1.88%	42.35% 2.14%	Within the WB/IMF threshold On Target
2	**Portfolio Composition** i. Domestic: External Debt mix. ii. Domestic Debt. Long Term: Short Term	Max 70: Min 30 Min 75: Max 25	61:39 73:17	60:40 80:20	60:40 80:20	61:39 88:12	Not Achieved On Target
3	**Refinancing Risk** i. Average Time to Maturity (Years) ii. Variable Rate Debt as % of Total Debt iii. Debt maturing in 1 year as % of total debt	Min. 10 Years Less than 5% Max. 20%	10.74 Years 2.75% 14.50%	10.28 Years 2.90% 14.60%	9.70 Years 3.16% 14.37%	12.8 Years 2.8% 10.4	On Target On Target On Target

Source: DMO

8.1.3 Nature and Fiscal Implications of Contingent Liabilities

The Government will continue to encourage private sector operators to participate in financing infrastructure development using Public-Private Partnership (PPP) arrangements to address the issue of infrastructure deficit in Nigeria in the face of fiscal constraints. PPP arrangements may require the issuance of Sovereign Guarantees to private sector entities to execute projects, which are explicit Contingent Liabilities.

The FGN has improved its ability to monitor and manage the risks associated with Contingent Liabilities that could arise from these projects and mitigate against the crystallization of the Guarantees. As of December 31, 2023, the Contingent Liabilities of Government amounted to ₦4.93trillion, representing 2.14% of GDP, compared to ₦3.74 trillion or 1.88% of GDP in 2022. The increase was due to exchange rate movement.

As part of efforts to manage and mitigate the risk associated with Contingent Liabilities, a Framework on Sovereign Guarantees and Contingent Liabilities is being developed.

Table 8.2 FGN Contingent Liabilities, Actual (2023), Projections 2024-2027 (₦' Billion)

S/N	Liability Type	2023	2024	2025	2026	2027
1	Federal Mortgage Bank of Nigeria (FMBN)	5.24	5.24	-	-	-
2	FCDA - Katampe Infrastructure Project	7.44	-	-	-	-
3	Nigeria Ports Authority - Lekki Deep Seaport	445.20	2,161.97	2,161.97	2,161.97	2,161.97
4	Nigeria Mortgage Refinance Company (NMRC) Plc	20.70	19.49	16.40	13.31	10.23
5	Power Sector Contingent Liabilities (Put-Call Option Agreement)	1,226.57	8,883.44	8,883.44	8,412.01	7,913.10

6	Power Sector Contingent Liabilities (Partial Risk Guarantee)	215.57	1,262.80	1,262.80	1,262.80	1,262.80
7	Bank of Industry	-	1,324.12	1,324.12	1,324.12	1,324.12
8	Legacy FGN Exposure from PHCN Successor Companies	2,283.05	-	-	-	-
9	Pension Arrears for MDAs	726.43	726.43	690.11	655.60	622.82
10	Others	-	6,000.00	6,000.00	6,000.00	6,000.00
	Total	4,930.20	**20,383.48**	**20,338.84**	**19,829.81**	**19,295.03**

Source: DMO

***** CBN Official Exchange rate of US$1/₦899.393 as of December 31 for 2023 Actual and US$1/₦1,596.14 as at August 30, 2024 for 2024-2027 Projections

Notes:

1. *The FGN provided a Guarantee for the Bond issued by FMBN to refinance mortgages provided for purchases of FGN non-essential residential houses. Out of the N32 billion Bonds issued N5.238 billion is outstanding.*
2. *The Guarantee was issued, on the behalf of the Federal Capital Development Authority (FCDA), in favour of FBN Capital Limited and FBN Trustees Limited, in respect of a bank facility granted to Deanshanger Projects Limited for the provision of integrated civil infrastructure to Katampe District, Abuja. The facility has been fully repaid and closed out.*
3. *NPA LEKKI PORT-Amount guaranteed is US$1,354,500,000.00 billion. However, only US$555 million has been drawn out of the Guarantee amount as at August 30, 2024.*
4. *The Guarantee enables NMRC to raise long-term funds from the Capital Market by issuing Bonds to refinance mortgages created by Eligible Mortgage Lenders. N29 billion (N8 billion Series 1 Bond; N11 billion Series 2 Bond; N10 billion Series 3) has been utilised out of the total Guarantee available in the sum of N440 billion. However, NMRC is servicing the bond and thus has reduced the outstanding bond to N19.4 billion as of August 30, 2024.*
5. *Figures are based on NBET's submissions on Put-Call option Agreements (PCOA) with Gencos.*
6. *Figures are based on NBET's submissions on Partial Risk Guarantees (PRG) issued to Gencos.*
7. *FGN Guarantee in respect of the 750 million Euro Bank of Industry (BOI) Eurobonds*
8. *Figures provided by BPE on FGN's exposure in respect of the debt component of the purchase price of the PHCN successor companies. US$2,538,430,000.00. The facility has been closed out.*
9. *Pension arrears for MDAs Data provided by PENCOM to DMO. Outstanding Retirement Benefits Liability of the FGN for certain categories of its employees. Amount has been projected to reduce by 5% annually.*
10. *Others: Based on pipeline requests including the expected PCOA arising from the FGN's Highway Development Management Initiative (HDMI). It should be noted that as part of the FGN's efforts to further develop infrastructure, there will be a growing use of off-balance sheet products such as Guarantees, Letters of Comfort and similar instruments, by the Government. Thus, it is expected that Contingent Liabilities will increase, as more off-balance sheet products are used to support infrastructural development.*

9.0 RISKS TO THE MEDIUM-TERM OUTLOOK

The global economic landscape for the over the medium term presents an array of risks that will have significant implications for fiscal planning and economic stability. As the Federal Government of Nigeria (FGN) formulates its Medium-Term Fiscal Framework (MTFF) and Fiscal Strategy Paper (FSP), it is crucial to consider the interconnected nature of risks across global, regional, and domestic dimensions.

9.1 Global Economic Trends & Geo-Political Tensions

The global economy faces continued uncertainty stemming from both economic and geopolitical factors. Lingering inflationary pressures in key economies, particularly the United States and the European Union, combined with tighter monetary policies, may dampen global demand and trigger slower growth in key trade partners. Additionally, the potential for further disruptions to global supply chains—whether due to persistent geopolitical tensions, energy crises, or climate-related disasters—could create volatility in commodity prices, especially oil, which remains a cornerstone of Nigeria's revenue. These risks are further amplified by the possibility of fluctuating exchange rates and interest rates, potentially impacting the cost of debt servicing and international trade.

Sub-Saharan Africa

The Sub-Saharan Africa (SSA) region continues to experience varying levels of growth, with some economies showing resilience while others face deeper vulnerabilities. Key risks include rising debt levels, inflationary pressures driven by external shocks, and persistent food insecurity exacerbated by climate change. The economic recovery from the COVID-19 pandemic remains uneven, as many countries still grapple with subdued investment, weak fiscal buffers, and inadequate healthcare systems. In addition, governance and security challenges across parts of the region may hinder growth prospects and reduce investor confidence.

West Africa

West Africa, in particular, faces compounded challenges, including political instability, terrorism, and border conflicts that disrupt trade and economic activities. With many economies in the region reliant on commodity exports, particularly oil, cocoa, and minerals, fluctuating global prices pose significant risks. High inflation, exacerbated by supply chain disruptions and energy constraints, continues to erode real incomes and increase poverty rates. Furthermore, external shocks, such as rising global interest rates, could increase the cost of borrowing, further straining fiscal positions in the region. The combination of fragile political environments and economic pressures heightens the risk of social unrest, potentially stalling economic reforms and investment inflows.

Nigeria

For Nigeria, the largest economy in West Africa, the medium-term risks are closely tied to both external and internal factors. Domestically, inflationary pressures, high levels of debt, and challenges in the oil sector, including production inefficiencies and oil theft, continue to constrain revenue generation. The country's heavy reliance on oil exports leaves it vulnerable to global price fluctuations, while efforts to diversify the economy have yet to yield the desired results. Additionally, structural challenges, including inadequate infrastructure, a large informal sector, and persistent insecurity in various regions, further compound the risks to economic stability.

The fiscal space remains constrained by the rising cost of debt servicing, crowding out critical investments in infrastructure, healthcare, and education. The ongoing subsidy reform, while necessary, may lead to short-term socio-economic impacts, particularly on vulnerable populations. On the external front, Nigeria faces risks from a stronger U.S. dollar, which could lead to exchange rate volatility and increased pressure on foreign reserves.

In this context, Nigeria's medium-term fiscal framework must remain flexible, with a clear focus on addressing both the short-term impacts and long-term structural challenges to safeguard fiscal sustainability and promote inclusive growth.

Over the medium term, several geopolitical tensions are expected to shape the global landscape, potentially impacting economic stability, trade, and international relations. As these issues evolve, they will have direct and indirect consequences on fiscal policies, global markets, and investment climates. Governments, businesses, and financial markets must remain vigilant and adaptable to these unfolding dynamics. Below are the key global geopolitical tensions to monitor:

1. U.S.-China Strategic Rivalry

The rivalry between the United States and China will likely intensify over the medium term, with far-reaching implications for global trade, technology, and security. While both powers may continue to engage diplomatically, tensions over trade practices, intellectual property, cybersecurity, and military posturing in the Indo-Pacific region are expected to persist. Escalation could lead to more trade restrictions, technological decoupling, and disruptions in global supply chains, which could impact emerging markets, particularly those with significant exposure to Chinese or U.S. markets.

2. Russia-West Relations

The protracted conflict between Russia and Ukraine remains a critical geopolitical flashpoint. The imposition of sanctions on Russia by Western powers, coupled with Russia's countermeasures, is expected to continue, further straining global energy markets, particularly in Europe. This conflict also has broader geopolitical implications, particularly in terms of security alliances, energy prices, and food supply chains. Any escalation or potential spill over into other regions could destabilize markets and pose significant risks to global economic recovery.

3. Middle East Instability

The Middle East remains a volatile region, with several flashpoints that could exacerbate geopolitical tensions. Ongoing conflicts in Syria, and Yemen, as well as tensions between Iran and Western powers, especially concerning nuclear agreements, pose significant risks. Additionally, the rivalry between Saudi Arabia and Iran continues to influence the geopolitical dynamics in the region. Any major conflict in this region could disrupt oil supplies, leading to energy price shocks with global repercussions. Stability in the Middle East is critical, given its strategic importance to global energy markets.

4. North Korea and Nuclear Proliferation

North Korea's nuclear ambitions and missile tests continue to raise tensions, particularly with South Korea, Japan, and the United States. Diplomatic efforts to curb North Korea's nuclear program have made little progress, and any potential escalation could destabilize the broader East Asian region, affecting trade flows and investor confidence. The risk of nuclear proliferation in other regions, driven by security concerns or political instability, also remains a medium-term concern.

5. Shifts in European Political Dynamics

In Europe, the political landscape is expected to remain uncertain, with potential challenges to EU unity arising from internal divisions over migration, economic policy, and responses to geopolitical crises. Rising populism, inflationary pressures, and differing national interests may create friction within the EU, particularly as member states navigate post-pandemic economic recovery. Brexit-related adjustments and

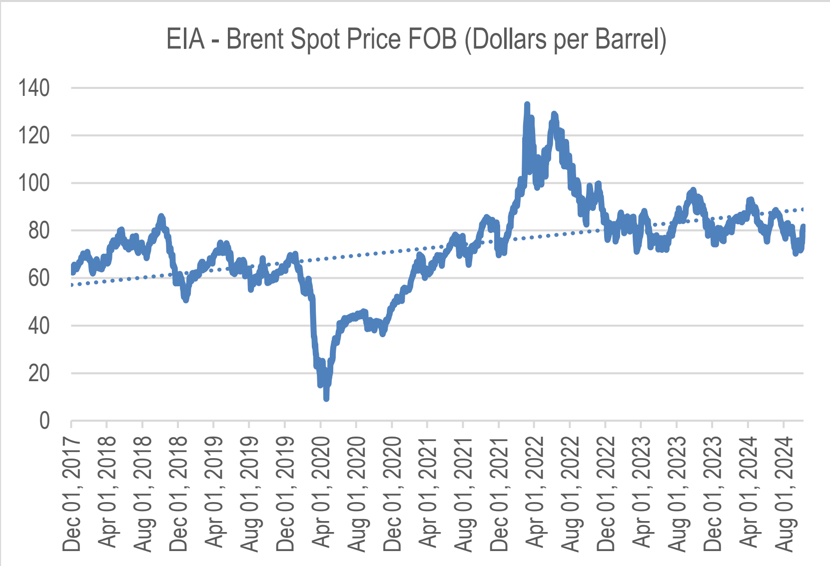
UK-EU relations also continue to evolve, with trade, security, and regulatory changes still unfolding.

6. Africa's Political Stability and Conflict Zones

In Africa, political instability, insurgencies, and cross-border conflicts remain risks in regions such as the Sahel, the Horn of Africa, and parts of Central and West Africa. Key areas of concern include the rise of violent extremism, governance challenges, and electoral disputes, which could destabilize fragile states and hinder economic progress. External powers' involvement in Africa, particularly concerning resources and strategic partnerships, also adds layers to the region's geopolitical dynamics.

9.2 International Oil Market Developments

9.2.1 Oil Prices



Oil prices have historically been subject to significant volatility, driven by a combination of external and internal factors. Key drivers of these price fluctuations include geopolitical tensions, production decisions made by OPEC+ members, supply chain disruptions, and changes in global economic conditions. Additionally, short-term price movements are often influenced by market sentiment and speculative activity. The Federal Government remains cognizant of these dynamics and is committed to implementing responsive fiscal and economic policies to mitigate the impact of such volatility on the national economy.

The Russia-Ukraine war sent oil price soaring in H1 2022, the highest price rally since 2008, moderating towards average $87pb thereafter.

Average oil price forecasts in the Medium Term are $78.15pb, $76.17pb, and 75.33pb for 2025, 2026 and 2027 respectively. This is premised on a historical trend review as well as the averages of a number of forecasting institutions, factors affecting market fundamentals, global economic recovery, plans by governments and market sentiments.

Overall, price is expected to sustain at current levels in 2025, moderating slightly over the medium term. Oil prices have shown great promise with forecasts expected to trend above the conservative price range projected over the medium term, even as volatility risk persists

9.2.2 Oil Demand & Supply Risks

International oil market is expected to navigate a complex landscape shaped by geopolitical dynamics, energy transition policies, and the supply management strategies of OPEC and OPEC+. Ongoing efforts to balance supply with demand recovery, particularly in a post-pandemic world, will be pivotal in stabilizing prices. OPEC+ is likely to continue employing strategic production cuts and adjustments to manage market imbalances and support price levels, while navigating external pressures for increased supply to moderate energy costs. The pace of energy transition and the adoption of renewables may temper demand growth, but emerging markets and developing economies will continue to drive oil consumption. Given these factors, the FGN places the average Brent crude price range between $75 and $90 per barrel over the medium term, reflecting OPEC+ interventions aimed at maintaining market stability.

9.2.3 Energy Transition and Decarbonization Efforts

Increasing global focus on environmental sustainability and the energy transition has influenced the oil market. Efforts to reduce greenhouse gas emissions, promote renewable energy sources, and diversify energy portfolios have impacted long-term oil demand forecasts. This transition has led to a re-evaluation of investment strategies and corporate initiatives within the oil and gas industry. Governments worldwide, including Nigeria, have implemented and revised energy policies and regulations to address climate change and promote sustainable practices. Stricter emission standards, carbon pricing mechanisms, and renewable energy targets have the potential to reshape the future oil market landscape and investment decisions.

9.3 Exchange Rate Risks

The ability of the Central Bank of Nigeria (CBN) to maintain adequate foreign exchange reserves is crucial for stabilizing the naira. Any depletion in reserves due to external debt servicing, import financing, or capital flight could heighten exchange rate risks. Policies to attract foreign investments and boost non-oil exports would be prioritized over the medium term in shoring up forex reserves.

Over the medium term, exchange rate risk will remain a critical factor influencing economic stability and fiscal policy. Monitoring and managing this risk remain important for the Central Bank of Nigeria (CBN) to promote economic stability and attract investment. Implementing policies that support diversification, boost export competitiveness, attract foreign investment, and ensure prudent monetary management can help mitigate exchange rate risks and enhance Nigeria's resilience to external shocks. The recent exchange rate reforms eradicating multiple exchange rates has resulted in a favourable external reserves position. For an economy like Nigeria which is heavily reliant on oil exports and has significant foreign exchange (FX) needs, managing exchange rate volatility is essential for controlling inflation, and fostering investor confidence.

9.4 Risks to FGN Revenue Outlook

The medium-term revenue outlook for the Federal Government of Nigeria (FGN) is subject to several risks that could impact fiscal sustainability. Key concerns include the volatility in global oil prices, which exposes government revenues to significant fluctuations, and the ongoing challenges in broadening the revenue base. While oil revenues remain a critical source of government income, potential disruptions in production or adverse price movements could lead to substantial shortfalls. Additionally, the non-oil revenue base faces structural constraints, such as limited tax compliance, a narrow tax base, and inefficiencies in revenue administration. External risks, including a potential global economic downturn or shifts in international trade dynamics, could further complicate efforts to meet revenue targets, placing pressure on government expenditure programs.

To mitigate these risks, the FGN has embarked on strategic reforms aimed at strengthening revenue resilience and enhancing fiscal stability. The implementation of the Petroleum Industry Act (PIA) is expected to optimize oil sector revenues by creating a more favorable investment environment and improving regulatory oversight. Concurrently, ongoing efforts to boost non-oil revenue, such as widening the tax base through VAT compliance improvements, digitalizing tax administration, and intensifying tax enforcement, will be instrumental in raising domestic revenue mobilization. Structural reforms to diversify the economy—focusing on agriculture, mining, improved security and manufacturing—will also help reduce dependency on oil, while public expenditure rationalization will aid in managing fiscal risks more effectively. These measures are designed to provide a balanced approach to revenue mobilization and expenditure management, fostering fiscal resilience over the medium term.

9.5 Sensitivity of Budget aggregates to Macro-economic conditions

Over the medium term (2025-2027), Nigeria's budget aggregates will remain highly sensitive to key macroeconomic variables. Oil price fluctuations pose a significant risk, given the economy's reliance on oil revenue; a downturn could exacerbate revenue shortfalls and increase fiscal deficits. Exchange rate stability will also be critical, as naira depreciation could escalate debt servicing costs and import-related expenses, thereby straining the budget. Additionally, inflationary pressures could elevate the cost of government programmes and erode the real value of revenue, impacting fiscal performance.

Debt servicing costs and economic growth rates will further influence budgetary outcomes. Rising debt levels make fiscal sustainability vulnerable to changes in global and domestic interest rates, which could restrict spending on capital projects. Economic growth assumptions will shape revenue forecasts, with slower growth potentially leading to revenue underperformance. To address these sensitivities, the government over the medium term, shall prioritize economic diversification, continue to enhance non-oil revenue mobilization, and implement policies that cushion against external shocks.

The analysis of the above risks, as well as others being monitored, is summarized in Table 9.1

Table 9.1: Risks Likelihood, Impact and Mitigation Strategies

Risk	Likelihood (H/M/L)	Impact (H/M/L)	Mitigation
Debt sustainability	H	H	Adopt a prudent debt management strategy, continue to manage debt sustainability, optimize debt structure, enhance domestic revenue mobilization through tax reforms, and prioritize spending on growth-enhancing projects. This risk remains elevated from previous year. The FG however, plan to stick with fiscal responsibility Act threshold that limit borrowings by reverting to deficit/GDP ceiling of 3%. The DMO shall closely monitor market developments.
High Inflation	M	H	Enhance monetary policy coordination and control inflation drivers. Manage money supply, further stabilize the exchange rate, and implement structural reforms to boost domestic production and reduce import dependence. Strengthening agricultural policies to enhance food supply and expanding social protection programmes will also help manage inflationary pressures and support vulnerable groups.
Social and Security Challenges post PMS Subsidy removal	M	H	A robust social protection strategy that includes targeted cash transfers, subsidized public transportation, and investment in critical social services to cushion the impact on vulnerable groups. A clear communication strategy about the benefits of subsidy removal and transparent reinvestment of savings into infrastructure and social programs will be crucial to garner public support and reduce resistance. Improve social safety nets, develop targeted support programs.
Domestic oil production shocks	L	H	Strengthen security measures, improve infrastructure, and enhance operational efficiency in the oil sector. Improve surveillance capabilities, enhance law enforcement efforts, collaborate with local communities and international partners, engage host communities through benefit-sharing programs, and accelerate the

			implementation of the Petroleum Industry Act (PIA) to improve regulatory certainty and attract new investments.
Volatility in Oil Prices	M	H	Diversify revenue sources, maintain fiscal buffers, and hedge oil price risks. Traditionally, the FG maintains a conservative outlook to oil price benchmark for fiscal projections over the medium term.
Foreign Exchange Supply / Rate Risk	M	H	Implement prudent monetary policies, manage foreign exchange reserves, and promote exchange rate stability
Failure to meet revenue projection	M	M	Improve tax administration, enhance tax compliance, and diversify the economy to reduce dependence on oil revenue. Ensure strict monitoring and reconciliation of projected revenues.
Economic Growth and Business Environment	M	M	Implement growth-enhancing policies, support private sector development, and attract investment to stimulate economic growth.
Insecurity in parts of the country	M	H	The mitigation action largely remains the same from previous year, a twin track approach of dialogue and military force shall be deployed in the event of an upsurge in major security breaches This is affecting economic activities in virtually all states. Governments ongoing efforts in restoring order, enforcement and socio-economic interventions shall continue and are expected to mitigate this risk
Slow implementation of the Energy Transition Plan	M	L	The FGN approved Energy transition plan is ambitious but implementable. Funding Nigeria's energy mix for a sustainable economic growth will be critical to mitigating this risk
Natural disaster	L	H	This risk remains unchanged from the previous year. No indication or warning issued from any of the responsible FGN agencies monitoring. Flash floods however remain a recurring manageable incidence. Enhance disaster preparedness and response mechanisms

Failure of Power Sector Recovery Operations	M	H	The Power Sector Recovery Operations has been largely successful and an additional financing approved Government of Nigeria's contribution to the Financing plan will be formalised to further improve the liquidity of the sector and reposition the sector towards fiscal sustainability and market reflective tariff.

It is important to note that the likelihood, impact, and potential mitigations provided in the table above are largely subjective assessments and may vary based on specific circumstances and future developments. Regular monitoring, risk assessment, and proactive policy measures are necessary to effectively address these risks and mitigate their potential impacts.