REVIEW OF THE 2025 FEDERAL APPROPRIATION BILL AND ESTIMATES

Citizens Wealth Platform (CWP)

(A Platform of non-governmental and faith-based organizations, professional associations and other citizens groups dedicated to ensuring that public resources are made to work and be of benefit to all)

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By

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ACRONYMS

Bn	Billion
BOI	Bank of Industry
CIT	Companies Income Tax
DBN	Development Bank of Nigeria
DMO	Debt Management Office
EMTL	Electronic Money Transfer Levy
FGN	Federal Government of Nigeria
GDP	Gross Domestic Product
GOEs	Government Owned Enterprises
MDAs	Ministries, Departments and Agencies of Government
MPR	Monetary Policy Rate
MTEF	Medium Term Expenditure Framework
NASS	National Assembly
NUPRC	Nigerian Upstream Regulatory Commission
NLNG	Nigeria Liquefied Natural Gas
OPEC	Organisation of Petroleum Exporting Countries
RMAFC	Revenue Mobilisation Allocation and Fiscal Commission
SAPZ	Special Agro-Industrial Processing Zones
SWVs	Service Wide Votes
TETFUND	Tertiary Education Trust Fund
Tn	Trillion
USD	United States Dollars
VAT	Value Added Tax
VCDP	Value Chain Development Project

KEY RECOMMENDATIONS

The following key recommendations flow from this Review for the consideration of the National Assembly (NASS).

- The exchange rate should be projected to not more than N1400 to 1USD.
- It will be extremely difficult to maintain inflation at the proposed rate of 15%. 25% target is recommended.
- Oil production of 1.9mbpd and a benchmark price of not more than $70 may be more realistic and feasible. Steps at the curtailment of the massive industrial oil theft through inter alia, the completion and activation of the real time online monitoring of all oil and gas assets and facilities.
- The expected revenues from company income tax, value added tax, customs collection, education tax, independent revenue, domestic recovery, etc., are realistic and should be approved. However, legislative steps should be taken to block leakages in oil revenue, minerals and mining and electronic money transfer levy.
- Enhanced efficiency and introduction of technology by revenue collection agencies should be used to boost FGN's revenue but it is a capital NO to new taxes (including VAT) under any guise.
- Smart policies and legislative interventions should be used to ensure that Nigeria reaps the full benefits from operations of private refineries and recently rehabilitated public refineries to conserve foreign exchange and for Nigeria to be a net exporter of refined petroleum and associated products.
- Consider reduction of the fiscal deficit, especially the deficit financed through new borrowing to not more than 60% of the proposed deficit.
- Tax expenditure should be capped at not more than 5% of aggregate revenue. It is proposed that the 5% rule should be part of an amended Fiscal Responsibility Act. The Legislature should demand the list of proposed tax expenditures and the justifications as an appendix to the Appropriation Bill and consider and approve same with the budget.

- Meticulously scrutinize administrative capital votes and cap same at not more than 10% of the capital vote. The savings should be reprogrammed to developmental capital.

- Disperse and re-allocate not less than 70% of Service Wide Votes to the MDAs that have statutory mandates over the projects and issues.

- Streamline infrastructure projects in MDAs like Works, Water Resources, Power, etc., to ensure that resources are not so thinly spread. This will guarantee budgetary performance and results as well as value for money.
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- Ensure that lump sum votes and project tied loans are disaggregated and details made available to Nigerians before approval.

- Use legislative interventions to activate the mandatory and compulsory health insurance regime of the National Health Insurance Authority Act and enact a Health Development Bank of Nigeria Act.

- Enact a Buy Made in Nigeria Act to facilitate the building of a concentric circle, of a Nigerian economy for Nigerians in Nigeria and in the Diaspora, some form of "Make Nigeria Great Again" Policy. This will guarantee that budgetary expenditure stimulates the Nigerian economy for growth.

- Enact a Road Fund and Road Management Authority Act that will raise funds from a plethora of sources for the development of the Roads Sector.

- Ensure that the South East, South West, North West and North East Development Commissions have the details of their budgets in the public domain before approval. Secrecy in the programming of these Commissions is the best route to duplicate the waste and lack of value for money associated with earlier Development Commissions.

- This Review is a counterpart to CSJ's pull out of Frivolous, Inappropriate and Wasteful Expenditure and those savings should be channeled to the critical sectors such as Education, Health and Infrastructure especially in Works, Railways and provision of renewable energy.

SECTION ONE: THE 2025 BUDGET PROPOSALS

1.1 KEY ASSUMPTIONS AND MACROECONOMIC FRAMEWORK

The budget expenditure for 2025 - aggregate FGN expenditure (inclusive of GOEs and project-tied loans) is projected to be N=49,740,165,355,396 (Forty Nine Trillion, Seven Hundred and Forty Billion, One Hundred and Sixty-Five Million, Three Hundred and Fifty-Five Thousand, Three Hundred and Ninety-Six Naira) only**,** which is 40% higher than the revised 2024 Budget of N35.5tn. The proposed retained revenue is N36.352tn (including grants and the operating surplus of Government Owned Enterprises). The proposed deficit of N13.387tn represents 3.89% of GDP. The key assumptions are the benchmark price of $75 per barrel of crude oil; daily oil production of 2.06m barrels per day (mbpd) and an average exchange rate of N1,500 to 1USD. The real GDP is expected to grow at 4.6% while inflation rate is projected at 15%.

The budget was prepared based on the following underlying macroeconomic assumptions as laid out in Table 1 below.

Table 1: Assumptions of the 2025 Federal Budget

Oil Price Per Barrel	$75	Inflation Rate	15%
Crude Oil Production (mbpd)	2.06mbpd	GDP Growth Rate	4.6%
Exchange Rate	N1,500=1USD	Nominal Consumption	N206,826.59bn
Retained Revenue	N36.352tn	Nominal GDP	N338,038.8bn
Deficit	3.89% of GDP		

Source: Appropriation Bill, Budget Speech of the President, MTEF 2025-2027

1.2 MONETARY POLICY VARIABLES – THE EXCHANGE RATE AND INFLATION RATE

The ***Exchange Rate*** proposal of N1500 to 1 USD is achievable considering current rates in excess of N1600. However, it seems unambitious. It appears the monetary authorities believe that N1500 to 1USD is a proper value for the naira. This target seems to contradict certain claimed macroeconomic achievements of the administration and projections for 2025. The first is the external reserve which is about $42bn, a current trade surplus of N5.8tn, expected higher crude oil production and export with a substantial reduction in upstream oil and gas production costs, reduced importation of petroleum products and net export of refined petroleum products,[1] increased foreign portfolio investment, increased receipt of remittances in foreign exchange, bumper harvest in agriculture, etc.[2] The result of a combination of all these indicators must ordinarily reflect as improvements in the value of the naira.

Boosting the value of the naira through remittances will involve deliberate policies guaranteeing remittances of foreign currencies by Nigerians in Diaspora get to the beneficiaries in the exact international currencies in which they are remitted. The foreign currency gets into the Nigerian financial system and will not stay back in the countries of origin. This may involve mandatory use of domiciliary accounts rather than the current practice where the bulk of the foreign exchange never gets into the Nigerian banking system.

It is therefore recommended that the exchange rate should be projected to not more than N1400 to 1USD.

1.3 INFLATION

With the current inflation rate at 34.6% and an unstable and depreciating national currency in an import dependent economy, it will be extremely difficult to maintain inflation at the proposed rate of 15%. Also, if FGN implements its policy target of increasing value added tax, electricity subsidy and commence telecommunications tax after operators have increased their tariffs, etc., the full effect of these policies will fuel inflation due to their impact on the cost of production of goods and services. Furthermore, the expansionary budget embedded in a fiscal deficit of 3.89% of the GDP and the concrete sum of N13.387tn is a pointer to higher inflation levels. Also, the fact that food prices is one of the main drivers of the inflation, coupled with the farmers-herders crisis and unstable political situation across the North East, North West, North Central and South East geopolitical zones will likely ensure high levels of inflation considering the less than optimal productivity in the agricultural sector.[3] The budget proposal on inflation is unrealistic and 25% target is recommended.

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[1] Refined petroleum products used to be about 35% of total import bills.

[2] President Bola Ahmed Tinubu's 2025 Federal Budget Speech: Restoration, Securing Peace, Rebuilding Prosperity.

[3] *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 segments continuing to weigh on consumer prices, and electricity tariff hikes*- MTEF 2025-2027 on inflation.

1.4 GDP GROWTH RATE

The GDP growth rate of 4.6%, coming on the back of the 2.74% recorded in 2023 and average of 3.21% for the first three quarters of 2024 appears realistic. However, for a country, reeling under the weight of stagflation - slow growth, high unemployment, rising prices, and population growth of 2.4% per annum, this will require the taming of the binding constraints on growth, reduction of inflation and creation of employment opportunities. For the 4.6% growth to be possible, it will be imperative for FGN to take urgent and realistic steps to reduce interest rates, increase domestic productivity, stem the instability and security challenges across all geopolitical zones of Nigeria, etc.

For macroeconomic stability which is imperative for economic growth, there is need for the harmonization of fiscal, monetary, trade and industry policies to achieve the coherence needed to stimulate the economy for growth and development. Monetary tightening, increasing the MPR whilst increasing taxes and tariffs on everyday goods and services cancel out each. Seeking economic growth while increasing the cash reserve ratio and hiking interest rates cancel out each other. These contradictory positions will never facilitate the reduction of inflation or economic growth. They are binding constraints and can only facilitate of stagnation. Although there is a Monetary Policy Committee of high-level experts who assist the Central Bank of Nigeria on monetary policy management, there is no equivalent for fiscal, trade and industrial policies. It is therefore important that similar committees be established in the fiscal, trade and industrial spheres. Furthermore, an overall economic management committee of experts from the four committees should meet on quarterly or half year basis to coordinate policy implementation.

1.5 OIL PRODUCTION AND BENCHMARK PRICE

The 2.06mbpd oil projection for 2025 may be realistic considering Nigeria's total installed production capacity of 3mbpd and technical capacity of 2.6mbpd. But this will require the full curtailment of the massive industrial oil theft ongoing in the Niger Delta including the completion and activation of the real time online monitoring of all oil and gas assets and facilities, increased investment in oil infrastructure, and enhancement of efficiencies in managing oil assets.[4] However, it is not clear whether the Organisation of Petroleum Exporting Countries (OPEC) will increase our production quota to the extent proposed in the budget. Furthermore, there is a major challenge; "*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*

[4] MTEF 2025-1017 at page 24.

the output benchmark of 1.78 million barrels per day.[5] It will therefore be practically difficult to meet this production target unless an immediate transformation takes place. However, there are no concrete steps towards that transformation. Therefore, 1.9mbpd may be more realistic and feasible.

Currently, crude oil is trading at fluctuating prices between $70 to $76 per barrel, lower than the benchmark price of $75 per barrel. It may be better to be less optimistic and more cautious in setting the benchmark price. $70 per barrel looks more realistic in the circumstances.

[5] MTEF 2025-2027 at page 24.

SECTION TWO: THE REVENUE FRAMEWORK

2.1 THE REVENUE FRAMEWORK

Table 2 shows the Revenue Framework proposal for the year 2025.

Table 2: Revenue Framework of the 2025 Budget Proposal

Total Proposed Revenue: N36,352,202,174,299		
Revenue Head	**Amount (N)**	**Percentage**
SHARE OF NET FEDERATION REVENUES	27,487,883,707,691	75.61
INDEPENDENT REVENUES	3,465,343,761,488	9.53
OTHER DIVIDENDS (less NLNG Dividend captured in Gross Federation Revenues)	7,521,759,160	0.02
AID AND GRANTS	761,905,057,500	2.10
SPECIAL LEVIES / ACCOUNTS-RECEIPTS	300,000,000,000	0.83
GOEs REVENUE (NET OF OPERATING SURPLUS)	2,870,272,747,017	7.90
OTHERS (TETFUND, SHARE OF OIL PRICE ROYALTIES AND RECOVERIES, ASSETS & FINES)	1,459,275,141,443	4.01
TOTAL	36,352,202,174,299	100.00

Source: Budget Office of the Federation

The President indicated in the budget speech, that as at the end of the third quarter 2024: 75 percent of targeted revenue in the sum of N14.55tn had accrued. Also, N21.60tn in expenditure, representing 85 percent of target had been expended. A review and quick comments on some of the underlying assumptions and the Revenue Framework is provided below. The figures used below are taken from the performance figures in the MTEF 2025-2027.

2.2 ACTUAL REVENUE INFLOW IN 2024 AS A GUIDE FOR KEY OIL AND NON-OIL REVENUE IN 2025

The actual revenue inflow from January to August 2024 was N12,302.98 as against the prorated expectation of N11,158.26. This is a 10.3% positive variance. This is more specifically detailed below.

- *Oil Revenue Inflow:* FGN's share of oil revenue underperformed by 25% despite the oil price benchmark of $77.96pb which was met and even exceeded for the greater part of the year. The prorated value was N5,450.85 while the actual was N4,088.19. This performance raises doubts about FGN's ability to meet oil revenue targets considering our inability to meet the 2024 budget benchmark production quota of 1.78mbpd.

- *Share of Dividend (NLNG, BOI, DBN)* was prorated at N 238.62 while nothing had accrued as at the end of August. This zero-sum accrual may be due to the fact that the financial year had not ended and these companies are yet to declare their dividends.

- *Companies Income Tax (CIT):* The performance is in excess of the prorated projection for the period January to August 2024. A total of N981.72bn was expected while N1,713.07bn was realized leading to 74.5% positive variance.[6] The 2025 projection is realistic if the actuals of 2024 is the guide. Furthermore, as the economy gradually recovers from the impact of stagflation and its associated economic shocks, more CIT will likely accrue.

- *Value Added Tax (VAT):* The expectation for the prorated period of January to August 2024 was N 341.89bn while the sum of N 530.41 was realized amounting to a positive variance of 55.1%.[7] As the economy gradually recovers from the impact of macroeconomic shocks, more VAT will likely accrue from increased economic activities. FGN is

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[6] MTEF and FSP 2025-2027.
[7] MTEF and FSP 2025-2027.

also proposing to increase VAT from 7.5% to 10% in 2025 and if the bill succeeds in the National Assembly, more VAT will accrue to FGN. Thus, the projection of N972.927bn for 2025 is realistic based on the above premises.

- *Customs Collections* recorded a good performance during the prorated period. Out of N858.36bn expected, N871.09bn was realized leading to a positive variance of 1.5%.[8] The projection for 2025 is realistic. Customs duties is likely to improve with the increased imports and gradual economic recovery in 2025.

- Education Tax (TETFUND) projection for the prorated period was N466.67bn while N869.99 was realized being 86.4% positive variance. Therefore, the 2025 projection of N990bn is realistic and achievable.

- *Signature Bonus:* The expected sum was N167.64 bn from signature bonus in the prorated period. However, the sum of N147.04 was realized being a negative variance of 12.3%. Nothing is proposed for 2025 and this is in order if no oil bid round is proposed for 2025.

- *Independent Revenue:* N1,794.52tn was expected from independent revenue in the prorated period while N2.298.99tn was realized which is a positive variance of 28.1%. This revenue head over the years has been fraught with leakages. It is a welcome development that leakages have been blocked. Thus, the 2025 projection of operating surplus in the sum of N2.529tn is realistic and achievable. The tax and non-tax revenue components are realistic.

- *Share of Electronic Money Transfer Levy:* The 2024 budget estimates project the sum of N16.26bn as revenue from the prorated period while the sum of N19.98bn was realized. The sum of N32.039bn is projected for 2025 and it is realistic considering previous performance. However, many analysts believe the EMTL proceeds are grossly understated and not properly accounted. In the circumstances, NASS is encouraged to urgently conduct a forensic audit into the collection, management and accounting of the proceeds of the EMTL in collaboration with the Revenue Mobilisation Allocation and Fiscal Commission.

[8] MTEF and FSP 2025-2027.

- *Revenue from Minerals and Mining:* This was estimated at N3.04 but N5.26bn accrued. The FGN's expected revenue from minerals and mining in the sum of N3.04bn is a scandal considering FGN's investments in the mining sector and the proposals for realizing revenue from the sector. When this projection is pitched against reports on the link between the insurgency/banditry and solid mineral mining, the massive short changing of the treasury going on in the sector will be clear. The value and quantum of solid minerals mined in Nigeria on a yearly basis will be in hundreds of billions if all the resources are brought into the fiscal account. Available information from many parts of the country including the North West where mining activities have facilitated criminality shows that the revenue from this source is grossly underestimated. NASS should insist on a proper review of the royalty and revenue due from mining leases and other revenues due to the Federation Account (from which FGN will get its due share) from the exploitation of solid minerals.

- *Others*: Domestic Recoveries, Assets, Fines had no estimates but a total of N71.73bn was realized. The 2025 projection is N82.7bn. This looks realistic if the pace of recovery and forfeiture proceedings by the anti-corruption agencies proceeds unabated. Grants and funds from donor agencies were prorated in 2024 at N457.09bn but N1,003.05bn was realized. The projection for 2025 is N761.9bn. This should be realistic particularly if the grants have been negotiated and agreements for disbursement signed. Exchange Gain (non-oil) was not estimated but the sum of N577.75bn was realized for the period. Federation Account Levies was estimated at N165.51 but only N98.80 accrued being a 40.3% negative variance. Share of Oil Price Royalty was estimated at N16.11 but nothing accrued at the end of the period. To now expect N386.5bn in 2025 may be over optimistic.

2.3 BUDGETED VERSUS ACTUAL RETAINED REVENUE

Table 3 shows the budgeted versus actual retained revenue 2014 to August 2024.

Table 3: Budgeted Retained Revenue vs Actual Retained Revenue 2014 – 2024

Year	Retained Revenue		Variance (N Bn)
	Budgeted (N Bn)	Actual (N Bn)	
2014	3,731.00	3,242.30	488.70 (13.10%)
2015	3,452.36	2,776.36	676 (19.58%)
2016	3,855.74	2,621.15	1,234.59 (32.02%)

2017	5,084.40	2,377.01	2,707.39 (53.25%)
2018	7,165.87	3,480.90	3,684.97 (51.42%)
2019	6,998.49	4,120.09	2,878.40 (41.13%)
2020	5,365.67	3,418.30	1,947.37 (36.29%)
2021	6,637.58	4,626.57	2,011.01 (30.30%)
2022	8,240.78	6,611.72	1,629.06 (19.77%)
2023	8,626.00	10,291.15	1,665.15 [+19.3%]
2024*	11,158.26	12,302.98	1,144.72 [+10.3]

Source: BOF, Budget Implementation Reports

**2024 figures are prorated for Jan-Aug., 2024 (MTEF and FSP 2025-2027)*

Table 3 shows the wide variance, over the years, between actual and proposed retained revenue. However, this has changed in the years 2023 and 2024. This calls for evidence based and realistic revenue projection from the executive and meticulous evidence-based approval from the legislature.

2.4 THE CHALLENGE OF OIL REVENUE AND DIVERSIFICATION

Notwithstanding the prevalent mantra of economic diversification, the nation is still faced with the relative dominance of oil as the single most important revenue source and export earnings. It has been stated that oil GDP growth has a strong positive correlation with real GDP growth in Nigeria. This shows that the diversification efforts have not yielded the desired dividends. The efforts need to be intensified for non-oil sources to gain ascendancy as both a source of revenue and export earnings. However, Nigeria is yet to fully explore, exploit and expound the frontiers of oil-based revenue through income from refineries, petrochemical complexes and the full value chain of the oil and gas sector. Thus, while diversifying into other sectors, we need to fully explore the potentials of the sector. This brings to the fore the need to fully exploit the potentials of the Dangote Refinery and rehabilitated public refineries, not just to cut down imports of refined petroleum but to become a net exporter of refined petroleum products. The requires the full implementation of the Petroleum Industry Act and full reforms in the petroleum industry to attract local and foreign investors to explore the full value chain of oil and gas products and services. The increased oil earnings should then be invested to improve revenues in non-oil sector.

2.5 THE DEFICIT

The 2025 FGN budget deficit proposal is in the sum of N13.387tn which represents 3.89% of GDP. This is in excess of the 3% golden rule in section 12 of the FRA which states that aggregate expenditure can only exceed the ceiling imposed by the FRA when there is a clear and present threat to national security or sovereignty of the Federal Republic of Nigeria. There are clear and present threats to national security and sovereignty of Nigeria of the magnitude required to trigger a deficit in excess of the 3% ceiling. But these threats are self-inflicted and could have been better managed and stopped from deteriorating to the present level.

The deficit is to be partly financed by N9.276tn new debt, assets sale and privatization of N312.3bn and multi bilateral/bilateral project tied loans of N3.799tn. This new debt comes at a time when the Debt Management Office (DMO) states that Nigeria's total debt as at June 2024 is N134.207tn, being the equivalent of $91,347bn.[9] The new borrowing of N9.276tn is about $6.184bn (at the official rate of N1,500 =1USD) which when added to existing debts will amount to a new phenomenal debt of $97.531bn. This will require a larger outlay for debt service in subsequent years.

The deficit has implications for expenditure as the evidence of debt service as a percentage of retained revenue January to August 2024 shows that the retained revenue (excluding government owned enterprises) was N12,302.98 while debt service gulped N7,411.29. Therefore, debt service took 60.2% of actual revenue. This large deficit financing, which has persisted over the years is not sustainable in the short, medium and long terms and should be discontinued in favour of raising more governmental revenue.

2.6 TAX EXPENDITURE STATEMENT

Tax expenditures are equivalents of appropriating public revenue for the specific use of particular individuals, firms or a class of taxpayers. Experts have defined tax expenditure as:[10]

[9] https://www.dmo.gov.ng/debt-profile/total-public-debt/4971-nigeria-s-total-public-debt-as-at-june-30-2024/file
[10] Guide to Transparency in Public Finances; Looking Beyond the Budget- Tax Expenditures (at page 4) by International Budget Project.

Tax expenditures are usually defined as a government's estimated revenue loss that results from giving tax concessions or preferences to a particular class of taxpayer or activity. The revenue loss, or "expenditure," is calculated as the difference between whatever tax would have been paid under a defined benchmark tax law (which identifies what tax structure should normally apply to taxpayers) and the lower amount that was actually paid after the tax break. Tax expenditures are used instead of direct spending to deliver a government subsidy to a class of taxpayer or encourage a desired activity. They can take many forms, including tax exemptions; tax deductions; tax offsets (or credits); and concessional tax rates or timing rules, such as accelerated depreciation of capital assets, that either reduce or defer a taxpayer's tax liability.

Under Tax Expenditure, the MTEF and FSP 2025-2027 states that:

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.

Essentially, FGN did not state the percentage it capped tax expenditure, but if the proposed amount of N3.22 trillion is used as a percentage of the retained revenue, it amounts to 8.85% of the revenue. This is a good start but the percentage should be pruned down to not more than 5% of aggregate revenue. It is proposed that the 5% rule should be part of an amended Fiscal Responsibility Act.

Furthermore, compliance with S. 29 of the Fiscal Responsibility Act is imperative going forward:

Any proposed tax expenditure shall be accompanied by an evaluation of its budgetary and financial implications in the year it becomes effective and in the three subsequent years, and shall only be approved by the Minister, if it does not adversely impair the revenue estimates in the annual budget or if it is accompanied by countervailing measures during *the period mentioned in this subsection through revenue increasing measures such as tax rate raises and expansion of the tax base.*

The Executive is expected to submit this statement of evaluation and countervailing measures and it has to be approved by the Legislature. Finally considering the nature of tax expenditure as appropriation, the Legislature should demand the list of proposed tax expenditures and the justifications as an appendix to the Appropriation Bill and consider and approve same with the budget. Any tax expenditure not approved by the Legislature is in the nature of extra budgetary spending- being a gross violation of the 1999 Constitution as amended.

SECTION THREE: THE EXPENDITURE PROPOSAL

3.1 THE EXPENDITURE FRAMEWORK

The Expenditure Framework of the 2025 Appropriation Bill is as shown in Table 4 below.

Table 4: Expenditure Framework of the 2025 Appropriation Bill

Total Proposed Appropriation from CRF for 2025: N49,740,165,355,396		
Expenditure Heads	**Amount (N)**	**Percentage**
Statutory Transfer	4,435,761,358,925	8.92
Debt Service	16,327,142,689,549	32.82
Recurrent Non-debt Expenditure	14,123,544,196,406	28.40
Capital Expenditure	14,853,717,110,517	29.86
Capital Expenditure in Statutory Transfers	3,005,244,648,029	Already captured in Statutory Transfers
TOTAL	**49,740,165,355,397**	**100.00**

Source: 2025 Appropriation Bill

Table 4 shows that the highest vote went to debt service, followed by capital expenditure and recurrent (non-debt) expenditure. Statutory transfers deservedly got the least vote.

3.2 LOW CAPITAL VOTE PROPOSAL

The first issue is that aggregate capital expenditure is to take 29.86**%** of the budget broken down as follows.

Table 5: Breakdown of Capital Expenditure Proposal

Total Proposed Capital Expenditure: N14,853,717,110,517		
MINISTRY/DEPARMENT/AGENCY	**Amount (N)**	**Percentage**
MDAs	6,096,157,246,793	41.04
FEDERAL EXECUTIVE BODIES	16,660,455,149	0.11
GOVERNMENT-OWNED ENTERPRISES	820,908,398,828	5.53
TETFUND	940,500,000,000	6.33
MULTILATERAL/BILATERAL LOAN FUNDED PROJECTS	3,799,281,435,450	25.58
CAPITAL SUPPLEMENTATION	3,180,209,574,296	21.41
Total	**14,853,717,110,517**	**100.00**

The capital expenditure of MDAs made up of MDAs, Executive Bodies and TETFUND amount to N7,053,317,701,943 and constitutes 47.49 % of overall capital expenditure. The issue is that MDA capital expenditure is the most accountable part of the expenditure subhead. MDA capital votes and capital components of statutory transfers are suffused with administrative capital to run the bureaucracy, as against developmental capital that touches the life of the people. Requests for administrative capital like buildings, cars, computers, etc., should be meticulously scrutinized to ascertain whether they are needed as priorities or are mere part of the ritualistic nature of budgeting in Nigeria. They should be pruned down to not more than 10% of overall capital vote of MDAs and statutory transfers.

The sum of N6,979,491,009,746, being the combined vote for project tied loans and capital supplementation in Service Wide Votes amounts to 46.98% of the overall capital vote. Unfortunately, these votes have no details in the budget. Lumping such huge capital sums under (SWVs) is not a fit and good practice because the bulk of the SWVs could be better programmed and managed. Centralizing votes and managing them outside the traditional MDAs with little or no accountability is not in line with best practices. The Oronsaye Committee on reforming the cost of governance stated as follows of SWV:

> *The Committee noted the widely held view of the abuse of the utilization of Service Wide Votes. It was the view of the Committee that budget heads currently captured under that vote could actually be captured either under specific MDAs or the Contingency Vote. Considering the constitutional provision for the Contingency Vote, it is believed that the Service Wide Vote is not only an aberration, but also an avoidable duplication. The Committee therefore recommends that Service Wide Votes should be abolished and items currently captured under it transferred to the Contingency Vote or to the appropriate MDAs.*

This calls for great caution. NASS should insist on the public presentation of their details before budget approval so that greater value for money can be derived from their expenditure.

The Schedule of Multilateral and Bilateral Project Tied Loans which accompanied the 2025 estimates in the sum of N3.799tn is suffused with nebulous projects without clear deliverables, locations and activities. Some of them have been ongoing for years without any impact on peoples' lives and livelihoods. For example, the huge sums of money in the project tied loans in Agriculture: ERGP5234138, Multilateral/Bilateral Tied Loan - Special Agro Industrial Processing Zones (SAPZ) in the sum of N127,511,977,845; ERGP5234139, Multilateral/Bilateral Tied Loan - Value Chain Development Project (VCDP) in the sum of N67,500,000,000; and ERGP5234140, Multilateral/Bilateral Tied Loan - Agricultural Transformation Agenda Support Program Phase I (ATASP-I) in the sum of N37,311,854,490 needs to be disaggregated with the details provided before NASS approval. Government Owned Enterprises capital expenditure of N820.908bn should also be disaggregated.

It is imperative to note that budgetary funding alone cannot scratch the surface of Nigeria's demand for infrastructure. NASS should therefore consider alternative funding sources for key capital projects, especially in the Ministries of Health, Works, Power and Housing, Transport, Water Resources, etc. NASS should play an active role in collaboration with MDAs and the Infrastructure Concession Regulatory Commission in designing the modalities for funding existing projects through public private partnerships, Diaspora Funds, dedicated bonds, etc. This brings to the fore the need to expeditiously consider and pass bills such as the Federal Road Fund Bill and the Development Planning and Projects Continuity Bill[11] into law.

More so, with the big picture for the 2025 budget in view, the budget needs to be anchored on a robust and realistic economic, fiscal and developmental framework which emphasizes domestic resource mobilization and popular capitalism driven by the commitment of all members of society; where every ready and willing Nigerian partakes in the baking of the national cake and as such, claims a right to be at the table in the sharing of the proceeds of national investments. This big picture is not found in any extant FGN policy framework. In this direction, a number of sectors can benefit from funds raised to support their development. A few examples can point in the direction of needed change and transformation:

- Universal health coverage will not be possible without the full implementation of universal and compulsory health insurance regime provided in the National Health Insurance Authority Act to provide robust accountable financing. Thus, the leadership of the Authority should explain why the compulsory health insurance regime is still on paper and yet to take off.

- A Health Development Bank of Nigeria, being a development bank focused on making credit available at single digit rates for building health infrastructure, health business development including manufacturing and developing competencies and capacities for the long-term development of the Nigerian health sector into a world class industry.

- Road sector financing can be improved through a Road Fund and Road Management Authority that will raise funds from a plethora of sources including toll gates, special surcharge on some designated commodities, etc. Special purpose vehicles to aggregate resources from institutional and retail investors will direct other resources into the sector.

- The National Housing Fund needs to be reorganized to mobilise funds that will benefit contributors over the short, medium and long term. If the Fund had been well managed since inception during the Ibrahim Babangida days, it could have garnered trillions of naira in its kitty.

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[11] The Development Planning and Projects Continuity Bill guarantees proper documentation, planning, costing and prioritization of capital projects; ensuring continuity and reducing abandonment of projects, etc.

- A Buy Made in Nigeria Act will facilitate the building of a concentric circle, of a Nigerian economy for Nigerians in Nigeria and in the Diaspora, some form of "Make Nigeria Great Again" Policy. In our import driven economy, releases of capital budget have little or no impact on reviving the economy. The ideal situation is that not less than 80% of the capital releases should be spent within the Nigeria economy, leading to expansion of the capacity of firms, which will lead to more hiring and employment – reducing unemployment, further leading to increased company income tax and personal income tax – increasing revenue for government. This creates a win-win for all - citizens, businesses and all tiers of government.

- A Diaspora Fund and Investment Opportunity Scheme established by law and targeted at investments into critical sectors of the economy for sustainable growth. This will involve collaboration between ministries such as finance, trade, industry, etc., in packaging special purpose vehicles and projects to tap funds from both high, low and retail network Nigerians in the Diaspora. The beauty of this investment is that it is not by foreigners who for the most part may seek to repatriate profits and put undue pressure on the naira. Nigerians in the Diaspora may invest in the very long term and reinvest in their country.

Ultimately, these changes will relieve the treasury of and or reduce the undue burden of funding key infrastructure projects and as such, reduce the need for borrowing whilst the infrastructure still gets built. It will also reduce the demand for funds to pay back and service debts. A new paradigm of fundraising should involve the traditional core and institutional investors, organized labour and workers, cooperatives, community groups, religious and faith based organisations, women and youth groups, etc. This will build a broad-based ownership of national infrastructure and capital, rather than the extant exclusive arrangements that focus on the rich few who can only invest if undue terms and conditions are met. This new paradigm will ultimately affect by way of reduction, the quantum of resources that will be provided by the public treasury for infrastructure.

NASS should streamline the number of projects being funded, continue with existing projects and discountenance new ones unless they are absolutely necessary. Essentially, NASS should take steps to ensure that capital resources are not spread too thin. NASS should seek to build consensus with the executive and other stakeholders and decide on key national infrastructure projects that should be completed in the short to medium term and channel the bulk of the expenditure to them. In other words, NASS should prioritise the projects so that budgetary funding can achieve the desired results.

3.3 RISING DEBT SERVICE

The second issue is that the rising debt service proposal (N16.327tn) is crowding out expenditure in critical infrastructure and human development. At the end of the day, if there is a shortfall in revenue, salaries and overheads will be drawn down, debts will be serviced whilst capital projects suffer. Debt service is 32.82% of the expenditure proposal and 44.9% of projected revenue. The debt service is high and it is higher than capital expenditure (N14.853tn). When the 2024 budget implementation experience is used, it shows that Nigeria has already spent N7,411.29bn, 34.4% higher than the prorated sum (as at the end of August 2024) in debt service at a time when only N3,649.46bn has been spent for capital expenditure. This clearly shows the prioritization of spending as capital expenditure in the prorated period of 2024 is just 49.23% of debt service.

3.4 RECURRENT NON-DEBT EXPENDITURE/COST OF GOVERNANCE

The third issue is to resolve the contradiction between the FGN mantra of cutting down waste, improving efficiencies and removing ghost workers from the payroll and its relationship with the rising recurrent non debt expenditure. The proposal for 2025 is N14.123tn, being 28.40% of total expenditure. The increment could, to a reasonable extent, be traced to recent wage increases. However, this cannot be the sign of a system that is taking steps to remove waste and inefficiencies. Efforts should be made to reduce the cost of governance through the implementation of fit and good practices contained in the Oronsaye Committee Report on the restructuring of federal MDAs.

3.5 BULK VOTES WITHOUT DETAILS

All the agencies on statutory transfers got bulk votes of which the details are not available to Nigerians. They are the National Assembly, National Judicial Council, National Human Rights Commission, Public Complaints Commission, Independent National Electoral Commission, Niger Delta Development Commission, North East Development Commission, the Basic Health Care Provision Fund, the National Agency for Science and Engineering Infrastructure, South East Development Commission, South West Development Commission and North West Development Commission. Again, votes for Special Intervention Programmes and Sustainable Development Goals in the SWVs do not have details. This is an abnormal situation that lacks transparency and should be remedied by providing the details to the public through the electronic portals of the Budget Office of the Federation and the National Assembly.

3.6 THE NEW DEVELOPMENT COMMISSIONS

The case of Development Commissions calls for utmost transparency. They will be involved in grassroots retail projects that would ordinarily be built by state and local governments. Secrecy in the programming of these Commissions is the best route to duplicate the waste and lack of value for money associated with earlier Commissions like the Niger Delta Development Commission. It is therefore imperative that their votes be disaggregated and made public.