



## CRITICAL ISSUES IN NIGERIA'S PUBLIC FINANCE MANAGEMENT

We, the undersigned civil society organisations, express grave concern over the persistent constitutional and statutory breaches in the management of Nigeria's revenues and expenditure and overall public finance management. We are also concerned about the opacity, disregard of timeliness, lack of transparency, popular participation and inclusivity in the federal budgeting process. The key issues in budgeting, debt management and overall fiscal direction raise fundamental questions on the responsiveness of the executive and legislature to the fiscal stipulations of the Constitution of the Federal Republic of Nigeria 1999 as amended ("Constitution"), the Fiscal Responsibility Act (FRA) and other relevant laws and policies.

These concerns are not merely technical infractions. They strike at the heart of democratic accountability, fiscal sustainability, and public trust. Persistent non-compliance with fiscal laws undermines macroeconomic stability, weakens investor confidence, and erodes the social contract between the Nigerian state and its citizens.

### 1. LEGAL AND GOVERNANCE FRAMEWORK

Nigeria's public finance management is governed by a clear legal and institutional framework, including the Constitution, particularly Sections 80–84 and 318; the Fiscal Responsibility Act (FRA) 2007; the annual Appropriation Acts; Debt Management Office (Establishment) Act 2003, the Public Procurement Act 2007, Financial Regulations, etc. These instruments collectively establish a rules-based fiscal system anchored on transparency, accountability, and predictability in revenue management, expenditure control, and debt sustainability. Persistent deviations from these provisions amount to systemic governance failures rather than isolated administrative lapses.

### 2. BUDGETING

**2.1 Late Presentation of MTEF and Executive Budget Proposal:** The presentation of the 2026-2028 Medium Term Expenditure Framework (MTEF) and the federal budget by the President to the National Assembly (NASS) on Wednesday, December 10, 2025 and on Friday, December 19, 2025 respectively, laid the foundation for the late consideration and passage of the 2026 federal budget. By section 14 of the FRA, the MTEF 2026-2028 should have been presented to NASS in early July 2025, thereby ensuring that the MTEF is approved before NASS proceeded on their 2025 mid-year recess.

Contrary to section 48 of the FRA, at the time of presenting the 2026 executive budget proposal to NASS and even today, there is no approved MTEF available to Nigerians either on the website of the Budget Office of the Federation (BOF), that of NASS or any other public electronic portal. And the underlying 2026 budget assumptions reported in the media during the debates in NASS and by the President in his budget presentation speech such as the overall expenditure and deficit are not reflected in the ongoing budget passage at NASS.

As at today, April 8 2026, the federal budget 2026 is yet to be duly approved by NASS and assented to by the President. This is a gross violation of the Financial Year Act, S.318 of the Constitution's definition of the financial year as the period between January 1- December 31 of every year and the precedent set in various Appropriation Acts as the period when the budget is to be implemented.

In comparable jurisdictions such as South Africa and Kenya, fiscal frameworks are approved prior to budget presentation, ensuring coherence, predictability, and adequate legislative scrutiny. Nigeria's deviation from this sequence represents a regression from established international good practice in public finance management.

**2.2 Fragmentation Between Fiscal Policy Instruments:** As a follow-up to the issues raised in 2.1 above, there is an increasing disconnect between the MTEF, annual budgets, debt management strategies, and macroeconomic assumptions. This fragmentation weakens fiscal coherence, undermines long-term planning, and reduces the effectiveness of fiscal policy as a tool for economic stability and development.

**2.3 Reported Increase of 2026 Federal Budget by Additional N9trillion:** Media reports indicate that NASS, following a request from the President seeks to increase the executive budget proposal from N58.4trillion to N68.3trillion, an increase of about N9trillion. The critical challenge is that the N58.4trillion proposal had a deficit of N25.2trillion - deficit financing being 43.1% of the expected revenue. Where would the new funding come from? Increased borrowing? Expected oil windfalls following the America, Israel - Iran War? If it is new debts, we are already over borrowed and need to shed weight. If the revenue is expected from the windfall, this would be an abnormality in budgeting. Basing expenditure on revenues that are yet to accrue and there is no certainty of their accrual considering that the war started suddenly and can end anything reason prevails between the parties. Excess receipts over the benchmark oil price could be saved in the Excess Crude Account and subsequently appropriated when the need arises.

This development of increased deficits and failure to save raises significant fiscal risks, including increased debt vulnerability, inflationary pressures, and the crowding out of private sector investment. It also undermines the credibility of the budget as a reliable fiscal policy instrument.

**2.4 Multiple Budgets and Non Implementation of the Capital Expenditure Component of the 2025 Budget:** Continuing in the precedent set with the 2023 and

2024 federal budgets, the Executive failed, refused and neglected to implement the 2025 capital budget leading to a scenario where the Federal Ministry of Health and Social Welfare got a release of N36million out of an appropriation of N218billion! Less than 30% of the capital expenditure was implemented at the end of the year being December 31, 2025. The President's promise to Nigerians to fully implement the 2025 capital budget by end of March 2026 has not been kept. Indeed, releases to MDAs (if any) did not start until March 2026. Now, NASS has shifted the deadline to June 2026. Since, the 2026 federal budget is yet to become law, there is nothing to implement. And from the trajectory of previous years, even if approved today, the implementation of the 2026 capital budget will only start after the 2025 capital budget has been concluded and wound down.

Any attempt to excuse the refusal to implement the capital budget on paucity of revenue cannot be supported by empirical evidence. Fuel subsidy which used to gulp N6-7trillion annually has been removed and the resources hitherto deployed to the subsidy has been saved. The federal government and states have therefore made substantial savings. Furthermore, there has been improvements in the collection of non-oil revenue. The President informed Nigerians in early September 2025 that as at August 2025, FGN had met the full year non-oil revenue projection. This implies that the accruals in September, October, November and December were in excess of the yearly projection.

**2.5 Executive-Legislative Collaboration to Violate the Constitution and the Financial Year Act:** The perennial deferment of the implementation of capital budgets and purported extension of the financial year, a collaboration between the President and NASS is a gross violation of the Constitution and ultra vires the powers of the President and NASS. The Financial Year Act defines the financial year as the period between January 1 and December 31. This is also replicated as the period of validity of Appropriation Acts. Under S.318 of the Constitution, "financial year" means any period of twelve months beginning on the first day of January in any year or such other date as the National Assembly may prescribe. A standard Appropriation Act contains this provision *"No part of the amount aforesaid shall be released from the Consolidated Revenue Fund of the Federation after the end of the year mentioned in subsection (1) of this section"*.

Hiding under the constitutional section, the financial year for capital budget implementation continues to be defined and redefined on an ad-hoc and yearly basis. S.318 of the Constitution did not grant any such powers to NASS. It is simply an extension of the power to make laws for the peace, order and good government of the Federation enshrined in S.4 of the Constitution. It does not confer power for instance in December, to move the financial year to March of the following year and thereafter to June as is currently the case. It is a power to legislate and change the financial year, for instance, to start in April and end on March 31 of the following year if the current timeline is found untenable. It is a power exercisable through a bill which will pass all the legislative crucibles of NASS and get presidential assent. It is not an arbitrary power to introduce uncertainty into the public finance management and budgeting calendar and process. The new timeline once defined will guide budgeting for some years before it is amended

because there must be a mischief discovered in an existing law before its amendment or repeal. Moreover, budgets are enacted through Appropriation Acts and as such, any amendment of any of its sections must be done through an amendment of the Act by the NASS and which gets presidential assent. You cannot amend a law through a motion and voice vote of “those in favour say I, and those against, say nay”.

**2.6 Refusal to Report on Budget Implementation:** Contrary to section 30 of the FRA which requires the Minister of Finance through the Budget Office of the Federation (BOF) to publish quarterly budget implementation reports not later than one month after the end of each quarter, the only available reports for 2025 as at April 7<sup>th</sup> 2026 are the first and second quarter implementation reports. This is not only a gross violation of the law denying citizens access to budget implementation information. The law is clear - the BOF needs to report what exactly was done in the quarter, no matter how small or if nothing happened at all, to state so in the quarterly report.

**2.7 The Challenge of Inclusivity and Popular Participation:** The federal budgeting process is challenged by the lack of inclusivity and popular participation. There is hardly any stage of the process where real opportunities exist for Nigerians of all shades - men, women, girls, boys, persons living with disability, etc., to make an input into the process. The budget is treated as an exclusive process for high level political office holders and civil servants. This has led to the year after year poor results and inability of the budget to touch lives of Nigerians.

Public consultations and hearings are hardly held and when held, are often poorly communicated, inaccessible, or conducted as procedural formalities without genuine incorporation of citizen inputs. Furthermore, key fiscal documents are either unpublished or released late, undermining transparency, accountability, and public trust in the budgeting process.

### 3. DEBT MANAGEMENT

President Bola Ahmed Tinubu met the overall public debt as at June 30 2023 at N87.379trillion. By September 30<sup>th</sup> 2025, it had climbed to N153.292trillion. There are media reports from the letter of the President which sought NASS approval of \$6billion in fresh loans - *The president noted that the proposed facility would increase Nigeria’s public debt stock, which stood at \$110.3 billion, approximately ₦159.2 trillion as of 31 December 2025* - Premium Times). The overall debt, subject to the confirmation of DMO, may have increased. Furthermore, the fact that the end year 2025 overall public debt stock has not been uploaded to DMO’s website in April 2026 is abnormal. It is a dereliction of DMO’s duty to keep Nigerians informed about the state and level of public debt. This duty is provided in S.44 (5) of the FRA:

*Without prejudice to the specified responsibilities of the National Assembly and Central Bank of Nigeria, the Debt Management Office shall maintain comprehensive, reliable and current electronic database of internal and external public debts, guaranteeing public access to the information.*

There is a critical challenge in the debt procurement exercise. A request from the President to NASS for a \$6billion loan was read on the floor of NASS and reported to have been approved on the same day. This is not only ridiculous but also an abuse of process, converting the legislature into a rubber stamp. It is an abdication of the duty to exercise oversight over the allocation and management of public resources. This raises critical questions: where is the cost benefit analysis of the proposed projects on which the loan is to be spent? Why is NASS refusing to provide opportunities for Nigerians to contribute to the loan approval process? There is an inherent intergenerational and inclusivity risk in this procedure where a NASS populated by fairly old men, with a female representation of 4.25%, commit the nation to debts to be paid by the next generation.

Nigeria's rising debt profile, when juxtaposed with persistent revenue constraints, places the country at risk of a debt trap, where a growing proportion of public revenue is committed to debt servicing rather than critical development expenditure.

#### **4. OTHER ISSUES OF URGENT NATIONAL IMPORTANCE**

**4.1 Excessively High Fuel Cost:** The impact of the removal of fuel subsidy has been further exacerbated by the America Israel-Iran War with average prices of Nigeria's Bonny Light in excess of \$110 per barrel. Within two days of the War, Nigerians started feeling the impact in an increase from N875 per litre to the current price of N1,370. Nigerians were already experiencing declines in the standard of living at the old price and the hardship screw has been further tightened. However, FGN, states and local governments will earn more money from increased oil revenue and there is no plan to reduce the hardship in the land. There is even nothing in the proposed increase in the 2026 federal budget to ameliorate the hardship. This is unacceptable.

The absence of a clearly defined post-subsidy social protection framework highlights weak fiscal policy design and a lack of alignment between increased public revenues and citizen welfare outcomes.

**4.2 The Monumental Waste in Four State Owned Refineries:** Nigeria's refineries built with public funds and which have gulped over \$15billion in turn-around-maintenance over the years lie comatose. High level state officials have collected humungous sums of money, either wasted or stole the money and delivered no maintenance. This is typified by the recent wasted \$2.9billion in the turn-around-maintenance of Port Harcourt and Warri refineries. Furthermore, personnel costs are still being incurred in these refineries. No one has been investigated, prosecuted and brought to book for these offences. The refineries are lying waste, deteriorating and incurring costs for the treasury.

This situation reflects a broader pattern of weak governance of state-owned enterprises, characterised by poor oversight, absence of performance accountability, and lack of consequences for fiscal mismanagement.

**4.3 The Electricity Grid Palava:** Nigeria's Electricity Industry has almost collapsed. It is on life support. It is reported that the President has approved N3.3trillion of public funds to curb illiquidity in the Electricity Industry and the funds are to be raised from borrowing. Experts have always blamed the non-cost reflective tariff paid by Nigerians as the reason for the illiquidity, although Band A customers pay more than a cost reflective tariff. The sector loses over 40% of its resources to aggregate technical, commercial and collection losses. The discussions on illiquidity and reform should not be centred on tariffs alone, but on all the challenges of the sector including the qualification, competence and capacity of the privatised entities and how the aggregate technical, commercial and collection losses can be brought within manageable limits of not more than 15% which is the global benchmark. It should also focus on regulatory enforcement gaps, governance failures, and weak contractual compliance frameworks across the electricity value chain.

**4.4 Institutional Accountability Failure:** Across budgeting, debt management, and state-owned enterprises, there is a recurring pattern of weak enforcement of rules, absence of sanctions, and limited consequences for non-compliance. This systemic accountability gap remains a primary driver of fiscal governance failure in Nigeria.

## **5. RECOMMENDATIONS**

Against the background of the foregoing, it is recommended as follows:

### **Institutional Reforms**

- ❖ Strengthen the independence and enforcement powers of the Fiscal Responsibility Commission to ensure compliance with fiscal laws.
- ❖ Introduce mandatory sanctions for breaches of the Fiscal Responsibility Act and other public finance regulations.
- ❖ Establish a public finance compliance scorecard for Ministries, Departments and Agencies (MDAs), to be published annually.
- ❖ Conduct an annual independent public finance compliance audit and publish findings for public scrutiny.

### **Budgeting**

- ❖ The executive and NASS should collaborate to rejig the 2026 federal budget to ensure that the deficit does not exceed the good practice of 3% of the GDP as provided in the FRA.
- ❖ Urgent steps should be taken by NASS and the President to ensure that the federal budget is approved and gets assent within the next ten days.

- ❖ The underlying assumptions of the 2026 federal budget should be in tandem with the fiscal framework and approvals in the MTEF 2026-2028.
- ❖ To kickstart the early preparation of the 2027 federal budget, the Budget Office of the Federation, Ministries of Finance and Budget and Economic Planning should start the process of preparing the MTEF 2027-2029 immediately to ensure that it is ready for the approval of the Executive Council of the Federation before the end of June and submitted to NASS early July 2026.
- ❖ The revenue profile of the 2026 federal budget should not include expected windfalls from crude oil. Any windfall should be saved in the Excess Crude Account. It may be appropriated later in the year upon the review of 2026 budget performance.
- ❖ The executive should ensure that the 2025 capital budget is closed by June and focus on the implementation of the 2026 budget.
- ❖ The executive should take urgent steps to fast track capital budget implementation through collaborations and capacity building between the Bureau of Public Procurement, BOF, Ministry of Finance, office of the Accountant General and MDAs.
- ❖ The President should ensure the full release of accrued revenue for the full implementation of the capital budget, avoiding carry overs to the next year. Any unimplemented 2026 capital project should be included in the 2027 capital budget. There should be no need to seek to extend the financial year and if it must be done, it should be done with the amendment of the timing clause of the Appropriation Act.
- ❖ The BOF and the Minister for Budget and Economic Planning must ensure the timely publication of quarterly budget implementation reports indicating what was done or if nothing at all was done.
- ❖ The budgeting process should be opened up and made inclusive to reflect the yearnings and aspirations of all Nigerians.
- ❖ Develop and maintain a real-time public finance transparency portal integrating budget, debt, and expenditure data, accessible to citizens.

### **Debt Management**

- ❖ The Debt Management Office should start the publication of the debt update every quarter - not later than 30 days after the of every quarter in line with fit and good

practices. Indeed, the duty to continually update in S.44 (5) of the FRA should be obeyed to the letter.

- ❖ NASS should revert to due process in the approval of loans. These include the publication of the letter and accompanying schedule from the President on their website and the DMO publishing same on its website. This will indicate the type and location of projects, the terms and tenor of the loan, etc.
- ❖ NASS should provide opportunities for citizens participation in the loan approval process. For intergenerational equity, loans with long amortization period must before approval, have the input of youths who will be the working class whose tax will be used to pay the debts.

### **High Fuel Cost**

- ❖ Considering the high cost of living, the 2026 federal budget should contain specific and targeted policies for the poorest of the poor in transport, food, energy, etc. It should not just be about the distribution of cash.
- ❖ Develop a targeted, data-driven social protection framework linked to savings from subsidy removal, focusing on transport, food security, and energy access for vulnerable populations.

### **Refineries**

- ❖ Investigate, prosecute and punish all persons who participated in the mismanagement of the refineries starting from those in charge of wasting \$2.9billion without results in the last four years.
- ❖ Consider selling or to concession the refineries so that Nigerians can derive some value from them. Leaving them idle will only condemn them to a scrap value whenever a decision will be made in future in consideration that these are old refineries which will compete in the same market with the brand-new Dangote Refinery.

### **Electricity Industry**

- ❖ Hold the Distribution Companies accountable to their obligations to invest, manage and improve the distribution end of electricity. This should include investments in meters, transformers, etc.
- ❖ The Federal Electricity Regulator should hold the transmission subsector accountable for the reduction of transmission losses. The transmission grid should be improved through new investments.

- ❖ There should be a public account and value for money audit of the expenditure of billions of dollars in loans incurred over the years by Nigeria for the improvement of the Electricity Industry.

## **5. CONCLUSION**

Nigeria stands at a critical fiscal crossroad. The choice is between a rules-based fiscal system anchored on the rule of law, transparency, and accountability, or a continued descent into discretionary and opaque fiscal governance. We urge all arms of government to act decisively to restore integrity, discipline, and public trust in Nigeria's public finance management system.

Signed

***Centre for Social Justice***

***Action Aid Nigeria***

***Nigeria Labour Congress***

***Civil Society Legislative Advocacy Centre***

***BudgIT***

***Impact Bridge Africa Advisory***