

# **ANALYSIS OF APPROVED 2024 FEDERAL GOVERNMENT BUDGET**

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**Nigerian Institute of Social & Economic  
Research (NISER)**

**January 5, 2024**



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*by*

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## Key Messages

1. Implementing the 2024 budget requires some level of efficiency from fiscal and monetary policy coordination.
2. Further, the complexities around insecurity require concerted synergistic efforts among security agencies at all tiers of government. An improved security situation will help to crowd-in domestic and foreign investment for enhanced output and revenue generation.
3. The Federal government should intensify the use of innovative means such as digital tracking systems to block crude oil production leakages and crude oil theft.
4. It is critical for the Central Bank of Nigeria (CBN) to ensure exchange rate stability and so reduce risks and challenges to non-oil revenue generation and public debt servicing.
5. There is a need to improve budget performance in 2024 relative to the previous year; heeding the messages above will help in this regard. In 2023, budgeted government revenue and expenditure plans lagged behind actual values by about 21.7% and 48.8% based on January to September statistics. This non-implementation margin is high for a country battling socioeconomic challenges.

## Overview

The 2024 Federal Government budget is premised on the revised 2024-2026 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP). Accordingly, the 2024 appropriation is N28.78 trillion increasing by N1.28 trillion from the initial proposed value of N27.5 trillion. The budget comprises non-debt recurrent expenditure (N8.76 trillion), debt servicing (N8.27 trillion), capital expenditure (N9.99 trillion), and statutory transfers (N1.7 trillion). The budget will be financed through non-debt revenue of about N19.6 trillion and a deficit of N9.18 trillion, amounting to about 31.9% deficit financing.

The key assumptions and macroeconomic framework upon which the 2024 federal budget hinged indicate some changes from the 2023 budget framework. The changes have increased government expenditure and allocations to critical sectors of the economy. However, this increase in government expenditure can amplify inflation growth if stabilization strategies are not commensurable. Undoubtedly, the inflationary pressure will worsen livelihoods and the already weak productive-base of the economy, thereby netting the anticipated gains of the public expenditure expansion.

Specifically, the 2023 crude oil price benchmark was US\$75; the 2024 value is US\$77.96. This purported increase could be due to the Russia-Ukraine war and, possibly, the ripple effect that may emanate from the Middle East should the Israel-Hamas war persist. This situation partly explains why the 2024 oil production is revised upward by 0.09 million barrels per day (Mbpd), more than 1.69 (Mbpd) for 2023. Also, the exchange rate pegged at N800/\$1 reflects a significant depreciation from the 2023 rate. Consequently, Nigeria’s GDP is expected to grow marginally above the 2023 estimates, with non-oil GDP contributing more than oil GDP. Overall, changes in 2024 budget assumptions are anticipated to stimulate Nigeria’s growth and development as embedded in the 2024-2026 Medium Term Expenditure Framework (MTEF). This is a good development and a step required to moderate the structural and economic conundrum bedeviling Nigeria’s prosperity.

**Table 1: 2024 Macroeconomic Assumptions and 2023 Budget Performance**

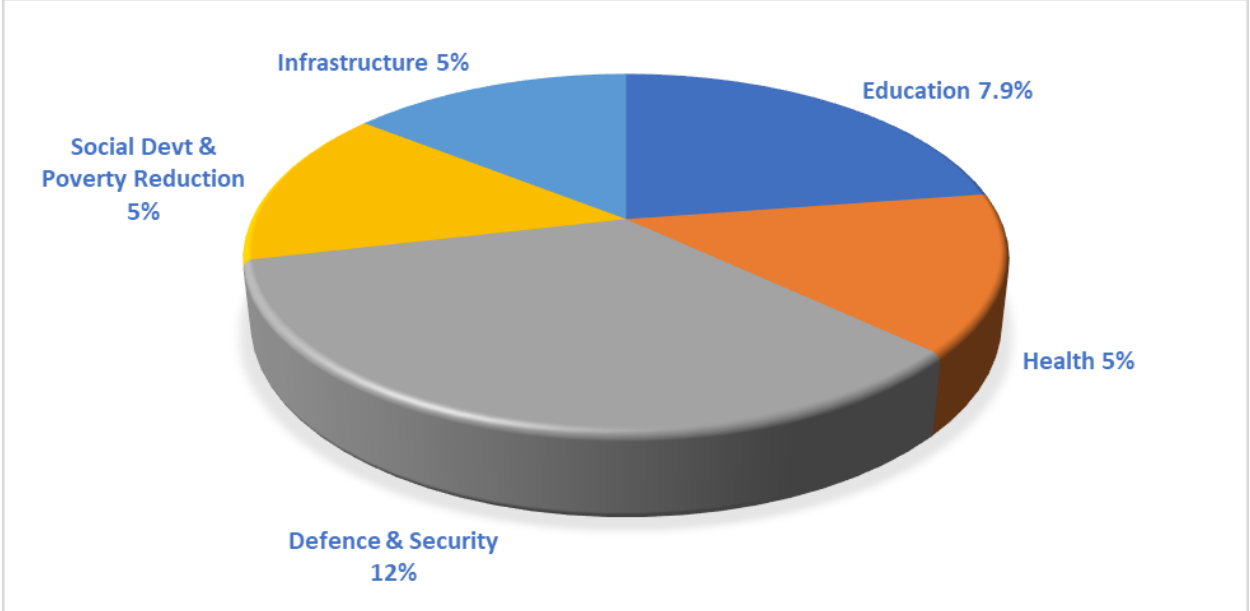
S/No	Parameter	2024 Budget	2023 Budget Estimates	2023 Actual Budget (Jan-Sept)
1.	Oil price benchmark (US\$/barrel)	77.96	75.00	81.22
2.	Oil production (mbpd)	1.78	1.69	1.33
3.	Exchange rate (N/US\$)	800.00	435.57	601.02
4.	Inflation (%)	21.40	17.16	27.33
5.	Non-oil GDP (₦’ Billion)	223,989.20	214,049.50	-
6.	Oil GDP (₦’ Billion)	12,316.00	11,457.80	-
7.	Nominal GDP (₦’ Billion)	236,305.20	225,507.00	-
8.	GDP growth rate (%)	3.88	3.75	2.51
9.	Aggregate Expenditure (₦’ Billion)	28.78	24.82 <sup>1</sup>	12.7
10	Non-Debt Revenue (₦’ Trillion)	19.6	11.05	8.65

*Source: Budget Office, 2023*

A snapshot into the expenditure plan for priority sectors shows the allocation of N2.18 trillion to education, N1.33 trillion to health, N3.25 trillion to defense and security, N534 billion to social development and poverty reduction, and N1.32 trillion to infrastructure. As shown in Figure 1, allocation to education accounts for 7.9%, health 5%, defense and security 12%, social development and poverty reduction 2% and infrastructure 5% of the total budget. The sectoral allocations indicate modest improvement over the 2023 appropriations. Will the current realities at the national, regional, and global domains undermine the implementation of 2024 Nigeria’s federal budget? The 2024 budget is the maiden full year appropriation of the present administration; however, the performance of the 2023 budget may provide some insights into the

<sup>1</sup> Aggregate expenditure for 2023 including supplementary budget

rationality and the implementation of the 2024 expenditure plan. For instance, the Federal Government 2023 budgeted revenue and expenditure plans lagged behind their actual values by about 21.7% and 48.8%, respectively, based on January to September statistics (see Table 1). The non-implementation margin is high for a country battling socioeconomic challenges.



**Figure 1: Sectoral Allocations**

While there seems to be a significant appreciation in the 2024 federal expenditure profile across all sectors, the rollout of liberalization policies such as the fuel subsidy removal and exchange rate unification may inhibit the extent of the budget implementation. As good as the government's intentions seem, the longstanding fundamental issues around the electricity crisis, perennial macroeconomic instability, and weak institutional framework persist. The culminating effects manifest as weak productivity that has continued to threaten economic prosperity. Further, most global challenges that bedeviled the 2023 budget implementation still exist, with new ones unfolding. Even though the crude oil prices have rebounded since the beginning of the Russia-Ukraine war, Nigeria did not benefit from the bumper due to heightened debt burden and shortfall in domestic crude oil production. Additionally, the country has failed to seize opportunities to penetrate new frontiers of the natural gas market in Europe. The dynamism and increased interconnectedness of the global economy will make Nigeria continuously susceptible to shocks with consequences for revenue mobilization.

## Concluding Thoughts



Implementing the 2024 budget requires some level of efficiency and synergy in government activities across Ministries, Departments, and Agencies (MDAs). Specifically, the overall outcome of the 2024 budget significantly depends on the level of fiscal and monetary policy coordination. Previous efforts were marred by policy misalignments and weak coordination between the Federal Ministry of Finance and the Central Bank of Nigeria (CBN).

This situation has resulted in some policy gaps, affecting budget implementation. As much as the CBN is statutorily autonomous, the Ministry of Finance remains the coordinating umpire of the economy, with some meeting points with the monetary institution. NISER is hopeful that the current administration will get things right with the new vigor and vision introduced into the fiscal and monetary domain.

Further, the complexities around the problem of insecurity in Nigeria require coordinated and concerted efforts among security agencies in Nigeria, without which the drive towards oil and non-oil revenue generation from local and foreign sources may remain elusive. Digital tracking technologies should be employed to police crude oil facilities. Likewise, the government should introduce innovative means of blocking revenue leakages among revenue generating institutions. A good case study in recent times is the innovation introduced by the Nigerian Immigration Services about international passport applications. This situation will go a long way to block leakages occasioned by arbitrage and related practices and assure revenue mobilization for the government.

*This Brief is a product of the NISER Response Unit (NRU).*

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