



INFORMATION BRIEF

April, 2026

Rising Fiscal Squeeze, Declining Capital Spending, and Need for Legislative Intervention on Budget Credibility and Capital Project Delivery

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Executive Summary

Recent data from the World Bank Nigeria Development Update (April 2026) indicates a continued decline in Nigeria's fiscal space for development-oriented expenditure, with capital spending falling from 1.3% of GDP (₦5.5 trillion) in 2024 to 1.0% (₦4.5 trillion) in 2025, representing a reduction of approximately ₦1 trillion within a single fiscal cycle. This contraction is attributed to rising recurrent expenditure pressures, increasing debt service obligations, significant statutory deductions at source, and expanded intervention-related spending. As a result, recurrent expenditure now accounts for about 6.7% of GDP (₦29.7 trillion), substantially crowding out investment in infrastructure and productive sectors.

In addition to declining fiscal space, capital budget execution remains weak, with only about 24% of prorated capital allocations implemented in 2025. This reflects both funding constraints and systemic inefficiencies in budget implementation. The World Bank further identifies structural weaknesses in Nigeria's budget process, including delayed budget passage, weak executive-legislative coordination, frequent unplanned budget adjustments, and limited macro-fiscal anchoring, all of which undermine effective capital project planning and delivery. These challenges are compounded by repeated extensions of capital budget implementation timelines and growing concerns over stalled or abandoned infrastructure projects nationwide.

Despite rising aggregate public expenditure, Nigeria continues to face a structural fiscal imbalance characterised by a shrinking share of capital spending, over-expansion of recurrent costs, weak budget execution, and poor linkage between budget size and development outcomes. Consequently, increased spending has not translated into commensurate improvements in infrastructure delivery, productivity, or economic growth.

These trends highlight a growing risk of fiscal inefficiency, where limited capital investment capacity constrains long-term development while recurrent obligations continue to expand. Without corrective measures, Nigeria risks perpetuating a cycle of high expenditure with low developmental impact.

Given its constitutional mandate over appropriation and oversight, the National Assembly has a critical role in restoring fiscal discipline, improving budget credibility, and ensuring that public expenditure delivers measurable development outcomes. Legislative intervention is required to strengthen capital budget execution, improve transparency in deductions at source, and ensure a more balanced allocation between recurrent and capital spending.

Accordingly, the National Assembly, through its Committees on Appropriations, Finance, National Planning, and Economic Development, may consider the following actions:



- Convene a joint fiscal accountability hearing involving the Ministry of Finance, Budget Office, Office of the Accountant-General, Debt Management Office, and development partners to review fiscal trends and capital spending performance.
- Mandate quarterly reporting on capital budget implementation, including releases, utilisation rates, project-level progress, and causes of delays.
- Conduct a legislative audit of all deductions at source and intervention funds to assess their impact on available capital expenditure.
- Strengthen budget discipline by ensuring timely passage of annual budgets and limiting post-approval amendments that distort fiscal planning.
- Establish a transparent, publicly accessible capital project tracking system to improve accountability and monitoring of national infrastructure projects.
- Require performance-based justification for any extension of capital budget implementation timelines.
- Strengthen oversight of debt accumulation and recurrent expenditure growth to ensure compliance with fiscal sustainability frameworks.

Background:

Recent data from the World Bank Nigeria Development Update (April 2026) indicates a significant contraction in Nigeria's fiscal space for development-oriented spending¹. Capital expenditure declined from 1.3% of GDP (₦5.5 trillion) in 2024 to 1.0% (₦4.5 trillion) in 2025, representing a reduction of approximately ₦1 trillion in capital spending capacity within one fiscal cycle².

The report attributes this decline to rising fiscal pressures, including:

- Increased personnel and recurrent expenditure
- Expanding debt service obligations
- Significant deductions at source from Federation Account inflows
- Special intervention expenditures (including military-related and development programmes)

¹ Tunji, S. (2026, April 11). Nigeria's fiscal squeeze cuts capital spending by N1tn – W'Bank. *Punch*. <https://punchng.com/nigerias-fiscal-squeeze-cuts-capital-spending-by-n1tn-wbank/>

² World Bank. (2026). Nigeria Development Update: Nigeria's Tomorrow Must Start Today: The Case for Early Childhood Development. <https://thedocs.worldbank.org/en/doc/b66e9ce6d86f25bd0aaa8c850bc9b62b-0360012026/original/nigeria-ndu-april-2026-presentation.pdf>



Consequently, recurrent expenditure now consumes a larger share of total government spending (about 6.7% of GDP or ₦29.7 trillion), leaving limited fiscal space for infrastructure and productive investments³.

In addition, capital budget execution remains significantly weak, with only 24% of prorated capital allocations implemented in 2025, indicating both funding constraints and systemic implementation inefficiencies.

The World Bank further highlights structural challenges in Nigeria's budget process, including delays in budget passage, weak executive–legislative coordination, and frequent unanchored budget adjustments, all of which undermine capital project planning and execution⁴.

This situation is compounded by repeated extensions of capital budget implementation timelines and increasing concerns about abandoned or stalled infrastructure projects across the country.

Issue:

Despite increased aggregate government spending, Nigeria continues to face a structural fiscal imbalance characterised by:

1. **Persistent Decline in Capital Spending Share:** Capital expenditure continues to shrink as a proportion of GDP, limiting investments in infrastructure, human capital, and economic productivity.
2. **Weak Capital Budget Execution:** Large portions of approved capital allocations remain unspent or partially implemented, reducing the real-world impact of budgetary provisions.
3. **Over-Expansion of Recurrent Expenditure:** Rising wage bills, debt servicing, and intervention programmes continue to crowd out development spending.
4. **Poor Budget Credibility and Implementation Delays:** Late budget passage, frequent amendments, and weak macro-fiscal anchoring reduce predictability for project execution.
5. **Risk of Infrastructure Abandonment and Project Stagnation:** Legislative extensions of capital budget implementation suggest systemic delivery bottlenecks rather than improved execution capacity.
6. **Weak Link Between Budget Size and Development Outcomes:** Increased overall expenditure has not translated into proportional improvements in infrastructure delivery or economic productivity.

Rationale for Legislative Action:

The National Assembly has a constitutional responsibility for appropriation, oversight, and fiscal accountability, particularly in ensuring that public expenditure delivers measurable development outcomes.

Legislative intervention is necessary to:

³ ibid

⁴ ibid



- Strengthen budget credibility and enforceable fiscal discipline
- Improve capital budget execution and reduce project abandonment
- Ensure balanced allocation between recurrent and capital expenditure
- Enhance transparency in deductions at source and intervention spending
- Strengthen executive–legislative coordination in budget preparation and implementation
- Safeguard against structural crowding-out of infrastructure investment

Without corrective oversight, Nigeria risks a continued cycle of high spending with low developmental impact.

Recommendations to the National Assembly:

The National Assembly is kindly urged through its Senate and House Committees on Appropriations, Finance and National Planning and Economic Development to consider the following actions:

1. **Convene a Joint Legislative Fiscal Accountability Hearing:** Invite the Ministry of Finance, Budget Office, Office of the Accountant-General, Debt Management Office, and World Bank representatives to brief the Assembly on fiscal trends and capital spending performance.
2. **Mandate Detailed Reporting on Capital Budget Execution:** Require quarterly disclosure of MDA-level capital releases vs utilisation, project-level implementation status and causes of delays and non-performance.
3. **Review and Rationalise Deductions at Source:** Conduct a legislative audit of all first-line charges and deductions (including intervention funds) to assess their impact on capital budget availability.
4. **Reform Budget Timing and Amendment Processes:** Ensure timely passage of annual budgets and limit post-approval amendments that distort fiscal planning and execution.
5. **Propose Capital Project Tracking and Transparency Mechanism:** Encourage the creation of a publicly accessible National Assembly-backed dashboard for monitoring capital projects nationwide.
6. **Review Justification for Repeated Capital Budget Extensions:** Require formal performance reports before any extension of capital budget implementation deadlines is approved.
7. **Strengthen Oversight of Debt and Recurrent Spending Growth:** Align borrowing and recurrent expenditure growth with statutory fiscal sustainability thresholds under the Fiscal Responsibility framework.



Conclusion:

Nigeria's declining capital expenditure and weak project execution capacity represent a structural fiscal challenge with direct implications for infrastructure delivery, economic growth, and public welfare. While overall spending has increased, the continued dominance of recurrent expenditure and inefficiencies in capital budget execution are undermining development outcomes.

The National Assembly has a critical role to play in restoring fiscal balance, strengthening budget credibility, and ensuring that public spending translates into tangible national development outcomes. Proactive legislative oversight is therefore essential to prevent further erosion of capital investment capacity and to safeguard Nigeria's long-term economic growth trajectory.

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