

# NATIONAL BUDGET LOWDOWN FOR NIGERIAN ENTREPRENEURS

2024 SERIES



W W W . N A N O F I N S . N G

NOT FOR SALE

# TECHNICAL DETAILS TO UNDERSTANDING THE GAINS OF BUDGET 2024.



Annual budgets are always a hot topic. Taking the allocations as a starting point, we examine the budget's implications for entrepreneurs. How can entrepreneurs benefit from the government's actions in the budget, and how can different sectors of society benefit from government actions?

Generally, when discussing public budgets, we consider what people want in the coming year - the preferences of the general society. This raises critical economic questions: what to produce, whom to produce for, etc. A budget's primary purpose is to deliver on governance; if a government fails to positively impact its citizens, then it can be said that there's no governance. What the people want should be the greatest determinant or direction of a public budget. In other words, when we see the budget document, we should see the government's intentions, approximation, and articulation of what the society wants.

Therefore, we can agree that the essence of budget - is to deliver on governance. If you have a government that does not actually impact the citizens positively, then it can be said there's no governance. Therefore, we find the essence of the budget! So, it is safe to conclude that the budget is an expression by the government to let the people know what it wants to do for them.

From this background, we can understand why the elites of society from the good old days, and even now, will always look out for a budget presentation from the government. They know that this pronouncement of the government at the beginning of the year, will affect the price of salt in the market, the price of bread, taxes, imports, exports and all economic activity of the individual or families and of the firms.

## THE QUANTITATIVE ELEMENTS OF THE BUDGET

### *The Assumptions*

#### QUANTITATIVE ASSUMPTIONS AND FISCAL TARGETS OF BUDGET 2024 OF THE FEDERAL GOVERNMENT OF NIGERIA

01	02	03
<ul style="list-style-type: none"><li>❖ GDP GROWTH OF 3.76</li><li>❖ CRUDE OIL PRICE OF \$77.96 PB</li><li>❖ INFLATION RATE OF 21.4%</li></ul>	<ul style="list-style-type: none"><li>❖ EXCHANGE RATE OF \$1.00 = N800.00</li><li>❖ CRUDE OIL OUTPUT OF 1.78 MBPD</li><li>❖ EMPLOYMENT-EMBEDED ECONOMIC GROWTH</li><li>❖ MACROECONOMIC STABILITY</li></ul>	<ul style="list-style-type: none"><li>❖ CONDUSIVE INVESTMENT ENVIRONMENT</li><li>❖ HUMAN CAPITAL DEVELOPMENT</li><li>❖ POVERTY REDUCTION AND GREATER ACCESS TO SOCIAL SECURITY</li></ul>

Apart from underlying assumptions, a budget consists of two primary parts: revenue and expenditure. Nigeria's 2024 budget revenue stands at N19.5 trillion. The second critical aspect is our expenditure on the budget. The observable difference is a negative shortfall between expenditure and revenue projections, resulting in a deficit budget of N9.2 trillion.

# FGN BUDGET 2024: Revenue

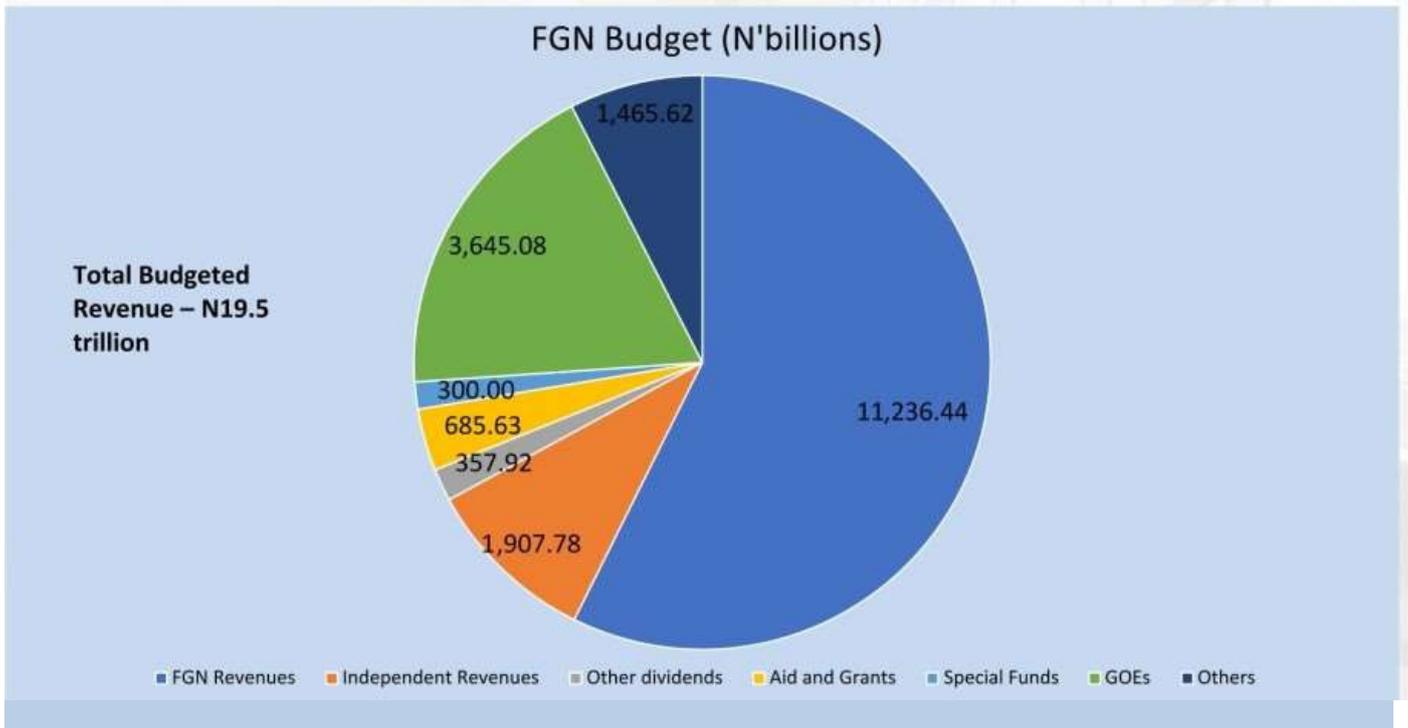


FIG 1

For government to generate the revenue of 19.5 trillion as depicted in Figure 1 above, all the government self-generated revenue of 57% will add 11.2 trillion to the expected. Next in volume is the Independent revenue, which is the next big number there, about 1.9 trillion followed by Government-Owned Enterprises (GOEs). Here we see effort of the government as she gets paid from her own businesses like its own investments which we term the GOEs indicating that the government owns businesses as much as Entrepreneurs do in the economy.

## FGN BUDGET 2024: Expenditure

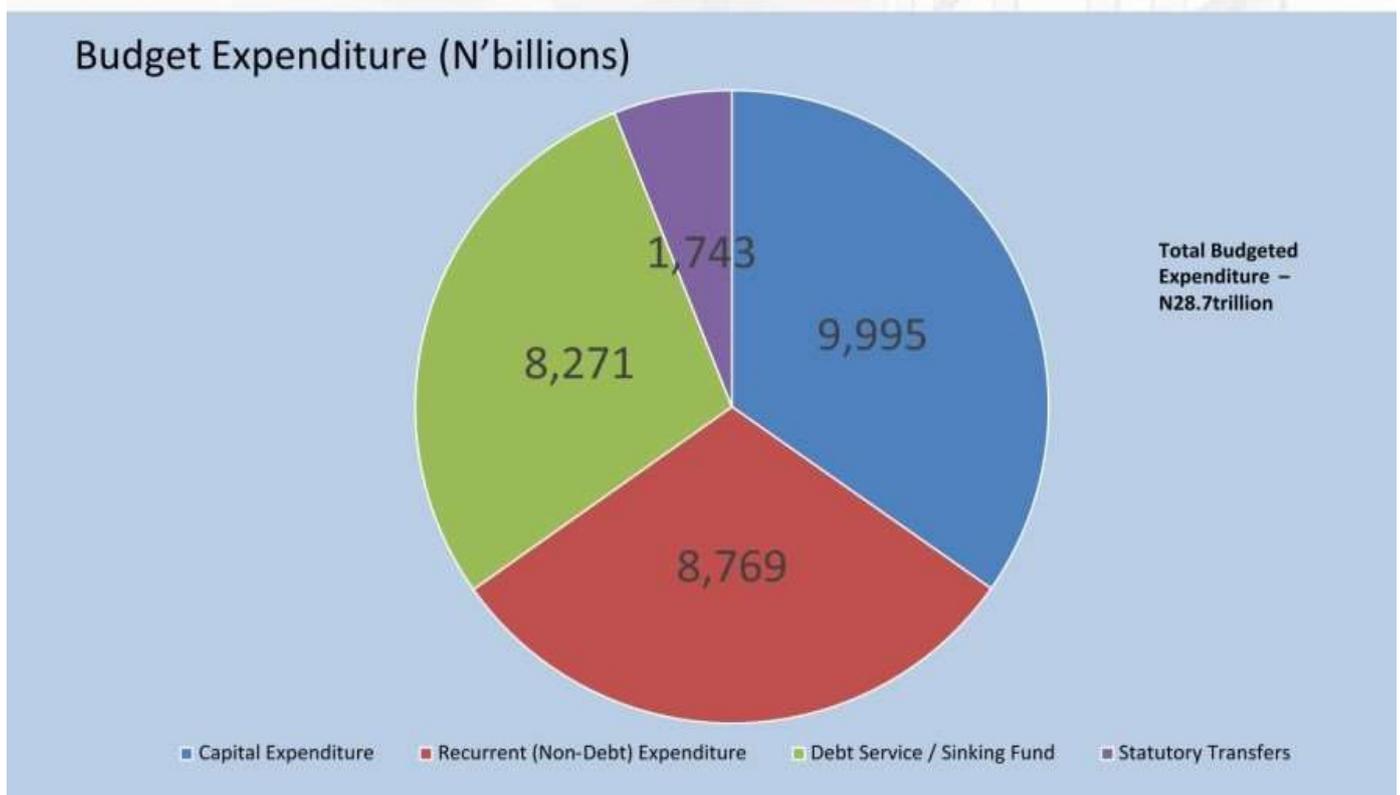


FIG 2

Going over to the expenditure side, which is the most contentious part of the budget; total expenditure is about 28.7 trillion naira, as a lump amount of money. Breaking the details of the expenditure in that budget is capital expenditure, jumping out as the highest at 9.9 trillion. However, we have to understand this is the job of 8.7 trillion (Recurrent expenditure) to achieve. This second bit is made up of the expenditures of parastatal salaries and general operating expenses.

And then you also have debt service because Nigeria had previously borrowed a lot of money. For governments, the service of debts is very important. Interestingly, you can see that debt service is about the same as recurrent expenditure.

We will have seen immediately that governance has a first-line job in having a practicable all-inclusive public budget. As Entrepreneurs, we can do an objective assessment of the FGN 2024 budget from the knowledge shared here so far. This understanding is very important as an entrepreneur or a business person.

## Debt Servicing Guide in Public Budgets

The ideal level of debt service provision in relation to recurrent expenditure in a public budget is a matter of debate among economists and financial experts. However, here are some general guidelines:

1. International Monetary Fund (IMF) recommends that debt service should not exceed 30% of recurrent expenditure.
2. World Bank suggests that debt service should be limited to 20-25% of recurrent expenditure.
3. The European Union's Maastricht Treaty sets a limit of 3% of GDP for debt service.

*The rationale behind these guidelines is to ensure that a significant portion of the budget is not consumed by debt repayment, thereby compromising the government's ability to fund essential public services and development projects. A higher debt service provision can lead to:*

1. Reduced fiscal space for development expenditure
2. Increased risk of debt distress
3. Higher borrowing costs
4. Reduced credit rating

On the other hand, a lower debt service provision can indicate:

1. Prudent fiscal management
2. Adequate fiscal space for development expenditure
3. Lower risk of debt distress
4. Improved credit rating

Going on to the challenges. Taking it from previous budgets; as well as the underlying assumptions, there are sure to be obvious challenges to the budget revenue projections, as we see in the new level of N28.7 trillion.

Some say it is not realistic because we have never done such a set of numbers. And in fact, the previous revenue projections that we have had for a budget in Nigeria, we've never really met. So, how can we possibly go above last year's projection which was largely unmet?!

Recall: The Unmet 2023 Budget



In the final analysis of Nigeria's budget, a lot depends on the ability to collect taxes and the ability to generate crude oil proceeds.

An x-ray of the situation shows fiscal deficits, which is the difference between revenue and expenditure. This difference has remained high and is obviously the problem. With high fiscal deficits, we tend to have weakened exchange rates. This is one perennial factor of so many decades past; all traceable to this fiscal deficit where fiscal expansions lead to a rise in interest rates thereby discouraging SMEs and entrepreneur's full activity in their economic space. Naturally, this also impacts negatively on net exports and a consequent devaluing of our local currency, the naira, falling in value as a result of printing more currency to shore up the deficits.

The huge government borrowing is another mitigating measure that crowds out the private sector. Government borrowing in the neighbourhood of N8trillions will definitely crowd out the private sector.

*Budget Interpretation (What do the figures actually portend):*

We saw the figures of the budget presented. One question we should then ask ourselves is; what exactly do those figures represent?

On the Expenditure part, we saw the allocation to the education sector, to security and defence, to health, jumping out as the highest compared to other sectors. What exactly do these represent?

Sector	2024 (N'billion)	2023 (N'billion)	2023 Allocation Share (%)	% Change
Defense & Security	3,250	3,526	12.0	-7.8
Education	2,180	1,790	7.9	21.8
Health	1,330	1,150	5.0	15.7
Infrastructure	1,320	2,055	5.0	-35.8
Social Investment	534	809	2.0	-34.0

**Source:** BudgetOffice of the Federation

The budget allocations reveal the government's priorities. The education sector, security and defence, and health receive significant allocations, indicating the government's commitment to human capital development, security, and social and economic infrastructure.

### *Allocation on Defence and Security*

First, it is correct if your impression is that security of life and property actually means a lot to the government. That is, judging from these figures.

Therefore, emanating from this Budget 2024, is the consciousness that through the budget, the government will impact on the Security sector. And once there is the certainty of a secure environment, then there is a possibility that people will go about their businesses. So in other words, we are saying that securing the life and the property of every citizen means a lot for growth and development in the economy.

### *Allocation on Education*

Also the figures actually give us the impression that the government is very willing to impact on human capital development, health and education in particular. And of course, there is no way a nation, especially of today, will make an impact in their development if such a country actually does not pay attention to human capital development. And so, we notice that the budget is also subtly (telling us) about what the government wants to do in terms of provision of social and economic infrastructure.

### *Generally*

Government also attempts to make provision for improve condition of the lower section of the society. So in other ways we are seeing a budget that is going to impact on virtually everything that determines growth and development security. We know our agrarian society, have been handicapped over the years, since 2009 and have been totally incapacitated for about four months straight now from the last dispensation and unable to go to work. With agricultural produce gone down,

we discover also that infrastructure at the level of the country is affected. Take a look at electricity, lighting up the dark alleys for security for instance, will get attention. So this year the government is giving the impression that a lot will be done in all these sectors. And if these actually happen, we can begin to imagine what is going to be in store for the citizens, for the producers of goods and services and especially those within the SME segment.

## OTHER BUDGET OPPORTUNITIES FOR THE NIGERIAN ENTREPRENEUR IN 2024

**SOME OTHER SECTORS THAT COULD WITNESS A SIGNIFICANT INCREASE IN ACTIVITIES;**

1. CONSTRUCTION AND MINING
2. PACKAGING OF GENERAL CONSUMER GOODS
3. RETAIL BUSINESSES
4. SUPPLY-CHAIN IN HEALTH AND EDUCATIONAL SERVICES
5. TRANSPORT SERVICES (ALTERNATIVE MODES OF TRANSPORT)

For entrepreneurs, the Agrarian sector's growth presents opportunities for fresh investment in crop and livestock farming. Investments in distribution value chains will also benefit from the secured environment.

### *Conclusion – Recommendations for a Big-Break Budget (BBB)*

In Nigeria, the national budget has become a major leakage point of government revenue. Money leaks into politicians' pockets, rather than serving the people. It is essential to enforce compliance and intentional implementation, ensuring funds are appropriated responsibly. It is one thing to plan with timelines and schedules. And it is quite another to enforce compliance and intentional implementation. It is only ethical that government ensures that funds are appropriated responsibly as captured in capital project's timelines.

Budget deviations have led to over 10,000 abandoned projects, mainly due to untimely or absent fund releases. These are clear effects of budget deviations that have made budgeting appear like a vice. Contrarily, budgeting should be a vital economic tool for development, depending on its design and implementation.

Invariably, we should not leave it by saying, "We are going to spend 'x' amount of money". That, in itself, is Okay. But are we ready to make your decision responsibly and dedicatedly? So that (planned positive) activities can actually take place? Conducting decisions responsibly and dedicatedly is crucial for achieving stability and attracting investors, creditors, and stakeholders in the Nigerian project can be comfortable to participate. This is the very crucial and critical point.



**ANSWER QUESTION TO GET REWARD:**

In your opinion, does the Budget 2024 meet realistic targets in terms of revenue projection and in terms of expenditure performance? Send answers to

[info@nanofins.ng](mailto:info@nanofins.ng)

*The more creative the answer, the more attracted will be an investment to your industry and your business.*

# THE NIGERIAN BUDGET 2024: A GUIDE FOR ENTREPRENEURS

*Feel free to engage with us after reading this piece.  
Let's explore how the 2024 budget can work in our favor!*

Contents gleaned from webinar titled "**FROM BUDGET-LINES TO BOTTOMLINES: EQUIPPING NIGERIAN ENTREPRENEURS WITH THE POSITIVE ATTRIBUTES OF THE 2024 BUDGET**"

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