


Subnational Spending in Nigeria

2024–2025



A Political Economy Analysis of
Rising Budgets And Weak Outcomes

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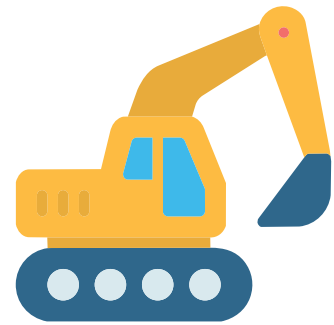
Report Insights

 **26.5%** increase in state budgets between **2024** and **2025**

State Budget execution rates declined from

70% - 68%

between **2024** and **2025**



N8tn

Over ~~N~~8 trillion in planned state spending was not implemented in 2025 alone.



States continue to expand budgets faster than their implementation capacity.

When fiscal pressure arises, states cut capital projects but not personnel costs.

Executive Summary

Nigeria's subnational governments significantly expanded fiscal activity between 2024 and 2025. Total approved expenditure across the states increased from ¹N20.17 trillion in 2024 to ²N25.51 trillion in 2025, representing a 26.5% increase in planned spending. However, actual expenditure paints a more constrained picture. Actual total spending stood at approximately N14.18 trillion in 2024 and rose to about N17.30 trillion in 2025, translating to execution rates of 70% and 68%, respectively.

While budgets became nominally larger, implementation did not improve proportionately. Across several states, capital projects remain under-delivered, recurrent expenditure continues to dominate fiscal structures, and expenditure growth is increasingly disconnected from realistic revenue performance. The result is a widening gap between fiscal ambition and actual delivery (Budget Implementation Reports of the States, 2024–2025).

The persistence of these outcomes may reflect underlying political economy incentives within subnational public finance systems. In many instances, larger budgets serve purposes beyond expenditure planning by signalling developmental ambition, projecting political legitimacy, and increasing the visibility of governments through large capital allocations. At the same time, recurrent expenditures are often difficult to reform because they are tied to administrative obligations, political commitments, and existing patronage structures. ³Weak institutional systems, including procurement processes, project management mechanisms, and monitoring frameworks, further constrain implementation capacity and reduce accountability for delivery outcomes.

This paper argues that Nigeria's subnational fiscal challenge is not fundamentally a problem of resource scarcity, but rather a political economy problem shaped by weak institutional capacity, unrealistic budgeting incentives, rigid recurrent expenditure structures, and limited accountability for implementation outcomes. ⁴(Ajibolade & Oboh, 2017; Ezeudu & Fadeyi, 2024; Ejumudo & Ejumudo, 2020).

The analysis shows that:

- States continue to expand budgets faster than their implementation capacity.
- Capital expenditure is often used as a political signaling tool rather than a realistic development framework.
- Personnel and recurrent spending remain politically protected, even during fiscal stress.
- Stronger-performing states combine realistic revenue planning with stronger institutional systems, while weaker-performing states struggle with implementation discipline and fiscal credibility.

Ultimately, the paper argues that improving fiscal outcomes at the state level will require more than larger budgets. It will require stronger institutions, realistic fiscal planning, improved execution systems, and a shift from politically driven budgeting toward performance-orientated governance.

1. 2024 States Fourth Quarter Budget Implementation Report.
2. 2025 States Fourth Quarter Budget Implementation Report, 2024
3. (Ajibolade & Oboh, 2017; Ezeudu & Fadeyi, 2024; Ejumudo & Ejumudo, 2020).
4. (Ajibolade & Oboh, 2017; Ezeudu & Fadeyi, 2024; Ejumudo & Ejumudo, 2020).



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Introduction: Beyond Fiscal Expansion 2025

This disconnect raises a critical policy question:



Why has increased public spending not translated into stronger development outcomes across Nigerian states?

State governments occupy a strategic position within Nigeria’s development framework. They are responsible for delivering critical public services, including infrastructure, healthcare, education, transportation, and social welfare. In recent years, rising Federal Account Allocation Committee (FAAC) allocations, increased borrowing capacity, and expanding Internally Generated Revenue (IGR) have significantly enlarged the fiscal space available to many states.⁵

On paper, this expansion should translate into improved development outcomes. Yet, despite larger budgets and increased public spending, service delivery outcomes remain uneven across the country. Infrastructure deficits persist, project completion rates remain weak, and citizens continue to experience limited improvements in public services.

This paper argues that the answer lies in the political economy of subnational public finance. Specifically, the troubling interaction between political incentives, institutional capacity, fiscal governance systems, and expenditure rigidities.

In many states, budgets are not prepared primarily as realistic implementation frameworks. Instead, they often function as political documents designed to signal ambition, demonstrate developmental intent, and enhance political visibility.

Consequently, expenditure plans frequently exceed realistic financing and implementation capacity, resulting in persistent gaps between approved budgets and actual delivery.⁶

5. Ajibolade, S.O. & Oboh, C.S. (2017). A Critical Examination of Government Budgeting and Public Funds Management in Nigeria
6. Ezeudu, T.S. & Fadeyi, T.J. (2024). The Politics of Government Budgeting and Its Implications for Development in Nigeria



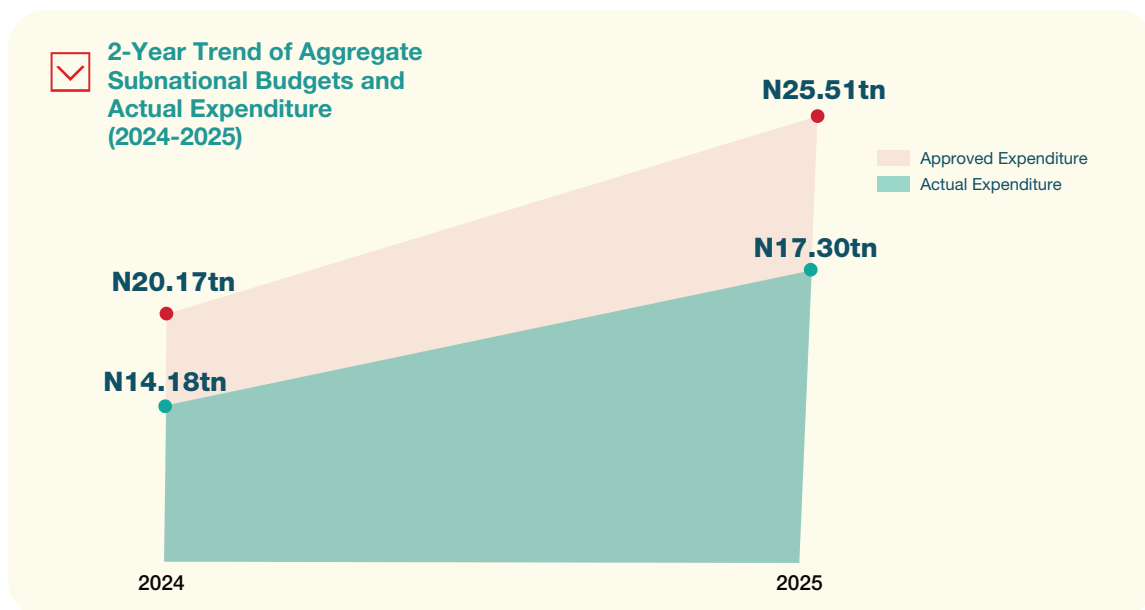
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Fiscal Expansion Without Delivery



2.1 The Gap Between Approved and Actual Spending

Between 2024 and 2025, subnational expenditure plans expanded aggressively. Total approved expenditure increased from **N20.17tn** in 2024 to **N25.51tn** in 2025. However, actual implementation did not improve at the same pace.



Although actual expenditure increased in nominal terms, the implementation rate weakened slightly.

This implies that in 2025 alone, over N8tn worth of planned expenditure was not implemented. The implications are significant, and unimplemented expenditure translates into delayed infrastructure projects, reduced service delivery, lower economic stimulus, weak development outcomes, and declining fiscal credibility.

In practical terms, approved budgets reflect policy ambition, but actual expenditure reflects implementation capacity. The widening gap between the two suggests that many states continue to struggle with translating fiscal plans into tangible outcomes.⁷

The disparities are even more visible at the individual state level. States such as Lagos State and Bayelsa State recorded relatively strong implementation performance, with execution rates of approximately 84% and 82%, respectively. In contrast, Kebbi State recorded an execution rate of about 41%, while Plateau State and Niger State recorded only about 47%.

These disparities reflect deeper structural differences in revenue certainty and predictability, institutional capacity, procurement efficiency, cash management systems, and political incentives around budgeting. The evidence suggests that some states budget primarily to deliver outcomes, while others budget primarily to signal ambition.⁸

7. Budget Implementation Reports of the States, 2024–2025

8. Ajibolade, S.O. & Oboh, C.S. (2017). A Critical Examination of Government Budgeting and Public Funds Management in Nigeria.



2.2

The Political Economy of Over-Budgeting

A central question emerging from the data is:



Why do states consistently prepare budgets that they cannot fully implement?

From a political economy perspective, budgets serve important political functions beyond fiscal planning. Large budgets create political visibility, communicate developmental ambition, and project administrative strength. Expansive capital budgets also generate political narratives around infrastructure delivery and economic transformation.⁹

Consequently, states face incentives to prepare increasingly ambitious

expenditure frameworks, even when financing capacity remains uncertain.

This helps explain why approved expenditure continues to grow faster than implementation capacity. In several states, expenditure expansion appears driven more by political signaling than by realistic assessments of revenue and delivery capacity.



9. Ezeudu, T.S. & Fadeyi, T.J. (2024). The Politics of Government Budgeting and Its Implications for Development in Nigeria.



3

Capital Expenditure: Visibility vs Delivery



3.1 High Allocations, Weak Execution

Capital expenditure is often presented as evidence of developmental commitment. However, the data suggests that high allocations do not necessarily translate into actual project delivery. Several states continue to allocate large amounts to capital projects while recording weak implementation outcomes.

Table 1: Comparison of Select Subnational Budgets, Actuals and Execution Rates (2024-2025)¹⁰

State	Capital Expenditure - 2025	Actual Capital Expenditure (FY) - 2025	Execution Rate	Capital Expenditure - 2024	Actual Capital Expenditure (FY) - 2024	Execution Rate
Plateau	362.24bn	94.87bn	26.19%	110.74bn	32.68bn	29.51%
Taraba	384.83bn	77.18bn	20.05%	489.88bn	69.56bn	14.20%
Kebbi	442.39bn	152.85bn	34.55%	177.62bn	126.81bn	61.89%
Cross River	409.60bn	156.29bn	38.16%	264.86bn	120.44bn	45.47%

These states reflect a pattern where capital expenditure serves more as a political visibility tool than a realistic implementation framework. Large infrastructure budgets create a public perception of developmental ambition, but weak procurement systems, poor

project preparation, financing gaps, and institutional limitations constrain actual delivery. The result is a cycle of abandoned projects, delayed execution, and weak infrastructure outcomes despite large approved allocations.



3.2 High Allocation, High Execution (Capital Expenditure)

In contrast, some states demonstrate that ambitious capital expenditure can translate into actual delivery when supported by stronger institutions and more realistic financing structures.

10. Budget Implementation Reports of the States, 2024–2025

Table 2: Comparison of Select Subnational Budgets, Actuals and Execution Rates (2024-2025)¹¹

State	Capital Expenditure - 2025	Actual Capital Expenditure (FY) - 2025	Execution Rate	Capital Expenditure - 2024	Actual Capital Expenditure (FY) - 2024	Execution Rate
Lagos	2.073tn	1.7737tn	85.56%	1.533tn	1.312tn	85.61%
Bayelsa	985.77bn	812.707bn	82.44%	503.307bn	292.991bn	58.21%
Enugu	820.944bn	512.615bn	62.44%	414.334bn	207.198bn	50.01%
Jigawa	588.840bn	420.967bn	71.49%	256.717bn	194.324bn	75.70%
Yobe	186.631bn	186.607bn	99.99%	288.244bn	284.314bn	98.64%

The table above shows how some states budgeted high and still executed high because their fiscal realities and political incentives are better aligned with actual delivery. States like Lagos State and Bayelsa State are relatively stable and have predictable revenue streams (whether from strong internally generated revenue or oil inflows), that provide the financial certainty needed to fund ambitious budgets. This allows their spending plans to be grounded in realistic assumptions rather than optimistic projections.

procurement processes and better cash management, ensure that funds are released and utilised as intended. Crucially, the political incentives in these states tend to favour visible delivery and measurable outcomes, meaning that large budgets are not just announced for signalling purposes but are actively implemented. In this context, high expenditure is not merely a reflection of ambition but of capacity, credibility, and a governance structure that prioritises execution.

At the same time, stronger institutional systems, including more efficient



11. Budget Implementation Reports of the States, 2024–2025



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Recurrent Spending: The Political Constraint



When fiscal pressures emerge, states adjust by cutting capital expenditure rather than reducing personnel costs.



Personnel expenditure remains one of the most rigid components of state budgets. Salaries are politically sensitive, difficult to reform, and closely tied to labour stability and administrative continuity.

¹²Across several states, personnel costs continue to record high implementation rates even where broader budget execution remains weak. For example, Yobe State implemented virtually its entire personnel budget, while Ekiti State and Ondo State also recorded near-full personnel expenditure execution. In

some cases, actual personnel expenditure exceeded budgeted allocations. Delta State recorded actual personnel spending of about N116.14bn against a budgeted N100.57bn, while Jigawa State also exceeded personnel projections. This demonstrates a key political economy reality: When fiscal pressures emerge, states adjust by cutting capital expenditure rather than reducing personnel costs.

Personnel spending remains politically protected because it sustains labour stability, political loyalty, and administrative continuity.



¹². Budget Implementation Reports of the States, 2024–2025



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Revenue–Expenditure Misalignment



The evidence suggests that the core problem is not simply insufficient revenue, but the persistent tendency of states to budget beyond realistic fiscal capacity, resulting in recurring implementation gaps, weak project delivery, and declining budget credibility over time.

Between 2024 and 2025, state governments significantly expanded expenditure plans, but revenue performance and implementation capacity did not improve at the same pace.

Total approved expenditure increased from N20.17tn in 2024 to N25.51tn in 2025, representing a sharp rise in spending ambition. However, actual expenditure increased only from about N14.18tn to roughly N17.30tn, alongside a slight decline in execution rates from 70% in 2024 to about 68% in 2025.¹³ This suggests that states are approving larger budgets faster than they are improving their capacity to finance and implement them.¹⁴

The mismatch becomes clearer when revenue trends are examined alongside expenditure outcomes. In several states, expenditure growth substantially outpaced actual revenue growth, creating fiscal pressure during implementation. For example, Niger State increased approved expenditure from N805.60bn in 2024 to N1.09tn in 2025, yet actual revenue in 2025 stood at only N354.51bn, only modestly above the N296.13bn realised in 2024. Consequently, actual expenditure declined from N540.49bn in 2024 to N514.30bn in 2025, despite the larger budget size. This reflects a situation where fiscal ambition expanded while financing capacity weakened.

A similar trend occurred in Plateau State, where approved expenditure jumped from N354.35bn in 2024 to N609.18bn in 2025, while actual revenue increased only marginally from

N220.77bn to N289.00bn. Actual expenditure consequently remained weak at N289.26bn, far below the approved budget. Likewise, Kebbi State nearly doubled its approved expenditure from N303.69bn to N580.33bn, but actual revenue rose only from N130.49bn to N191.24bn, contributing to low execution performance.

In contrast, stronger-performing states demonstrated closer alignment between revenue growth and spending expansion. Lagos State increased approved expenditure from N2.47tn in 2024 to N3.37tn in 2025, while actual revenue also rose strongly from N2.06tn to N2.63tn. As a result, actual expenditure increased from N2.15 trillion to N2.84 trillion, sustaining a relatively high execution rate. Similarly, Bayelsa State combined strong revenue growth with improved expenditure performance, allowing actual spending to rise from N475.73 billion in 2024 to over N1.06 trillion in 2025.

The broader political economy issue is that many states appear to prepare budgets as instruments of political signalling rather than as realistic fiscal frameworks tied to probable revenue outcomes. Larger budgets can communicate ambition, attract political legitimacy, and create expectations of development, even when revenue assumptions remain uncertain. As a result, expenditure plans expand rapidly on paper, but implementation weakens once actual revenues fall short.

13. Budget Implementation Reports of the States, 2024–2025

14. Budget Implementation Reports of the States, 2024–2025



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Strengthening Fiscal Governance



Without improvements in implementation capacity, larger budgets will continue to produce weak development outcomes and declining fiscal credibility.



Improving budget credibility requires states to move beyond budget expansion toward stronger implementation systems. One of the major challenges identified across states is that weak institutional and administrative processes continue to undermine project delivery, even where funding provisions exist.

To improve execution performance, states should accelerate the digitisation of budgeting, expenditure tracking, and project monitoring systems. Integrated digital platforms can improve transparency, reduce delays in fund releases, and strengthen real-time monitoring of budget implementation. This is particularly important in states where large portions of approved capital expenditure remain unimplemented despite significant allocations.

States also need to strengthen procurement systems to reduce administrative bottlenecks, contract delays, and politically influenced project selection. Weak procurement processes often contribute to

abandoned projects, cost overruns, and low capital execution rates. More transparent and competitive procurement frameworks would improve value for money and enhance public confidence in state spending.

In addition, project management systems should be strengthened across ministries, departments, and agencies. Many states continue to face implementation challenges due to weak technical capacity, poor coordination, and limited monitoring of ongoing projects. Strengthening project preparation, feasibility assessment, monitoring, and evaluation mechanisms would help ensure that approved projects are completed within budget and on schedule.

From a political economy perspective, stronger execution systems reduce the gap between political promises and actual delivery. Without improvements in implementation capacity, larger budgets will continue to produce weak development outcomes and declining fiscal credibility.



7

Conclusion: Spending More vs Spending Better



There is a need to move away from politically driven budgeting, where budgets primarily serve signalling purposes, toward a performance-based governance framework that prioritises measurable development outcomes.



Nigeria's states are spending more, but they are not necessarily spending better. Between 2024 and 2025, approved expenditure expanded significantly (though nominally), yet implementation gaps persisted, capital delivery remained uneven, and recurrent spending continued to dominate fiscal structures.

The evidence suggests that the problem is not simply insufficient spending, but rather, it is the interaction between political incentives, institutional weaknesses, weak implementation systems, revenue uncertainty, rigid recurrent expenditure structures. Without addressing these underlying constraints, larger budgets alone will continue to produce limited developmental outcomes.

Ultimately, improving subnational fiscal performance in Nigeria requires a shift

toward more realistic budgeting that aligns expenditure commitments with credible revenue projections, alongside stronger fiscal institutions capable of enforcing discipline, transparency, and accountability.

States must also strengthen implementation systems, particularly in procurement, project management, and expenditure monitoring to ensure that approved budgets translate into actual service delivery and infrastructure outcomes. More importantly, there is a need to move away from politically driven budgeting, where budgets primarily serve signalling purposes, toward a performance-based governance framework that prioritises measurable development outcomes, efficient resource utilisation, and accountability for results.



8

Policy Recommendations

Nigeria’s subnational fiscal challenge is not solely a financing problem; it is fundamentally an institutional and political economy problem. Addressing weak execution, unrealistic budgeting, and recurrent spending pressures requires reforms that improve both fiscal discipline and governance incentives.

Align Budgets with Realistic Revenue Projections

1

States should adopt more conservative and evidence-based revenue forecasting frameworks to reduce the persistent gap between approved and actual expenditure. Budget preparation should be tied more closely to historical revenue performance, realistic FAAC expectations, and internally generated revenue trends rather than optimistic projections designed to expand spending plans. Medium-Term Expenditure Frameworks (MTEFs) should also be strengthened to improve fiscal predictability and reduce politically motivated over-budgeting.

Improve Budget Credibility and Execution

States need to shift attention from budget size to budget implementation. This requires stronger cash management systems, timely fund releases, and improved coordination between ministries, departments, and agencies. Capital projects should only be included in budgets where financing, procurement readiness, and implementation capacity are clearly established. Introducing quarterly public reporting on project execution would also improve transparency and strengthen accountability for delivery.

2

Strengthen Procurement and Project Management Systems

Weak procurement systems remain a major driver of delayed and abandoned projects. States should modernise procurement processes through digital platforms, competitive bidding systems, and stricter project monitoring frameworks. Improving technical capacity in project preparation, contract management, and monitoring and evaluation would significantly improve capital expenditure outcomes and reduce implementation leakages.

3

Rationalise Recurrent Expenditure

Personnel and overhead spending continue to absorb a large share of state resources, limiting fiscal flexibility. While politically sensitive, states should gradually undertake payroll audits, eliminate ghost workers, and improve workforce planning to reduce inefficiencies. Overhead expenditure should also be subjected to stronger transparency and expenditure controls, particularly in states where administrative spending continues to rise faster than service delivery outcomes.

4

5

Link Capital Spending to Development Outcomes

Capital expenditure should move beyond politically visible projects toward investments that generate measurable economic and social returns. States should prioritise infrastructure, health, education, and productive sectors with clear developmental impact rather than dispersing resources across numerous politically motivated projects with limited implementation prospects.

Strengthen Fiscal Transparency and Public Accountability

States should institutionalise open budget systems that allow citizens to track approved budgets, fund releases, and project implementation in real time. Improved transparency would reduce information gaps, discourage inflated budgeting practices, and strengthen public oversight of state finances. Audit institutions and state assemblies also need stronger oversight capacity to enforce accountability in public spending.

6

7

Encourage Performance-Based Fiscal Governance

Federal and development-partner support to states should increasingly incorporate performance indicators linked to budget credibility, capital execution, transparency, and fiscal sustainability. States with stronger implementation performance should be incentivised through access to reform-linked financing and technical support. This would help shift political incentives away from announcing large budgets toward delivering measurable outcomes.

Build Institutional Capacity Across States

Large disparities in execution performance across states suggest that institutional capacity remains uneven. Weaker-performing states should invest in training budget officers, procurement personnel, and fiscal planners while also adopting peer-learning mechanisms from stronger-performing states such as Lagos State, Bayelsa State, and Yobe State, which demonstrate relatively stronger implementation systems and budget credibility.

8

