

NIGERIA DEVELOPMENT UPDATE

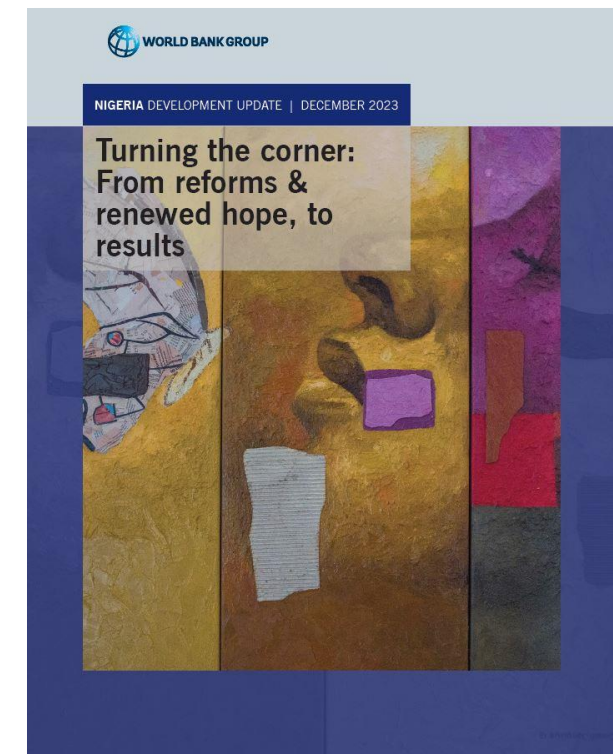
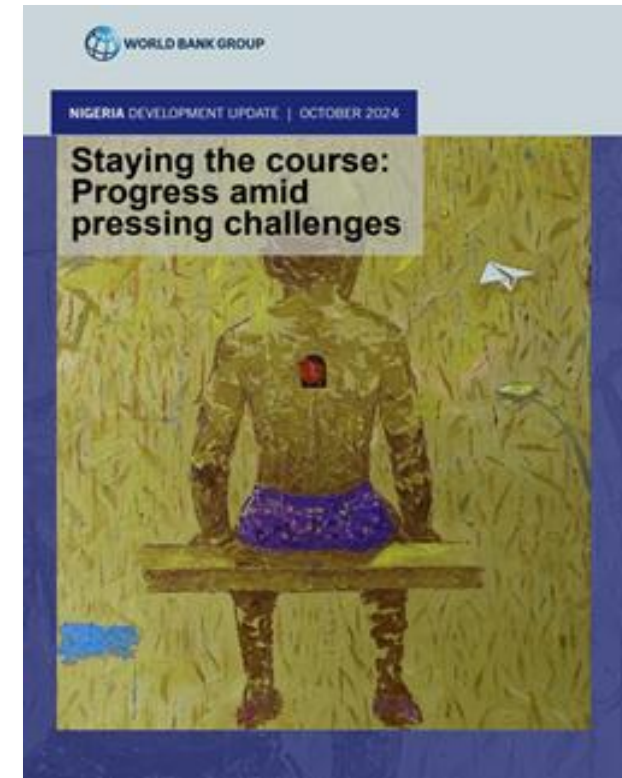
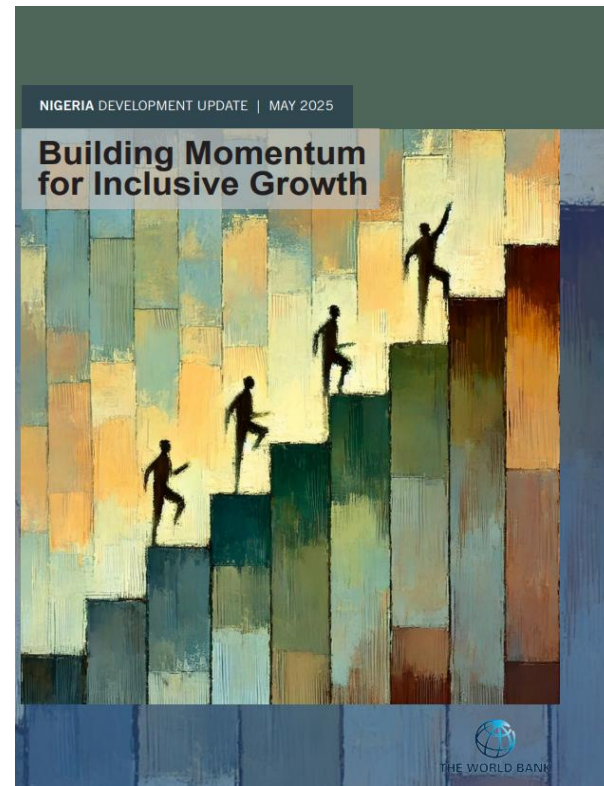
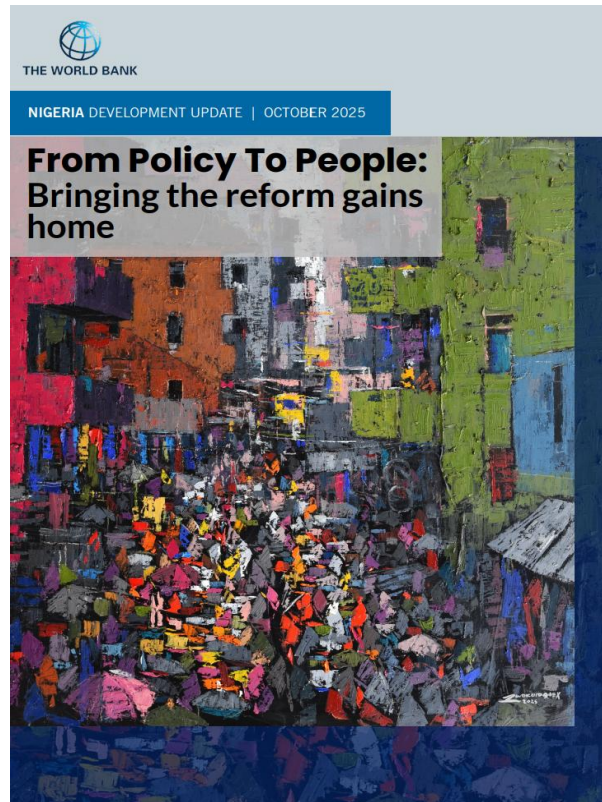
NIGERIA'S TOMORROW MUST START TODAY: THE CASE FOR EARLY CHILDHOOD DEVELOPMENT

APRIL 7, 2026



NIGERIA DEVELOPMENT UPDATES

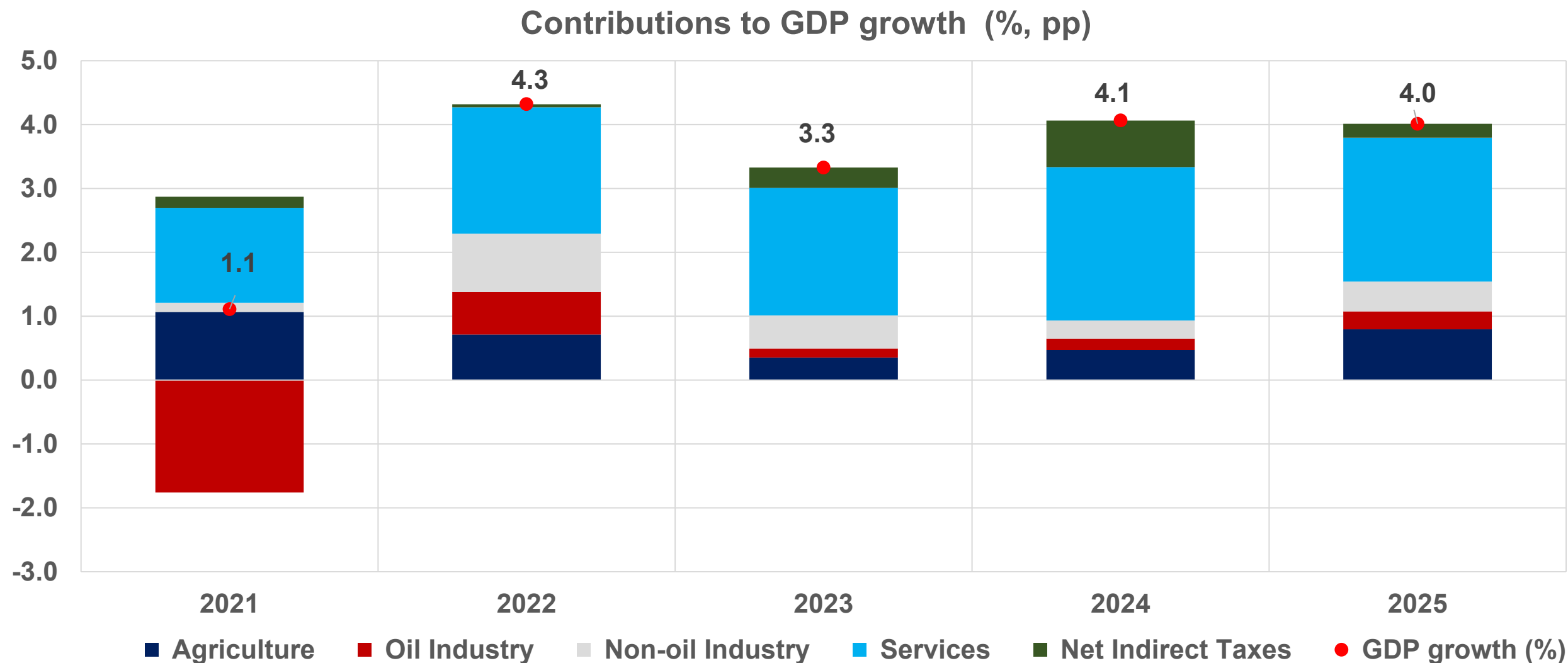
Bi-annual assessment of recent economic and social developments in Nigeria and prospects



Nigeria's economy has strengthened but faces rising global uncertainty from the Middle East conflict



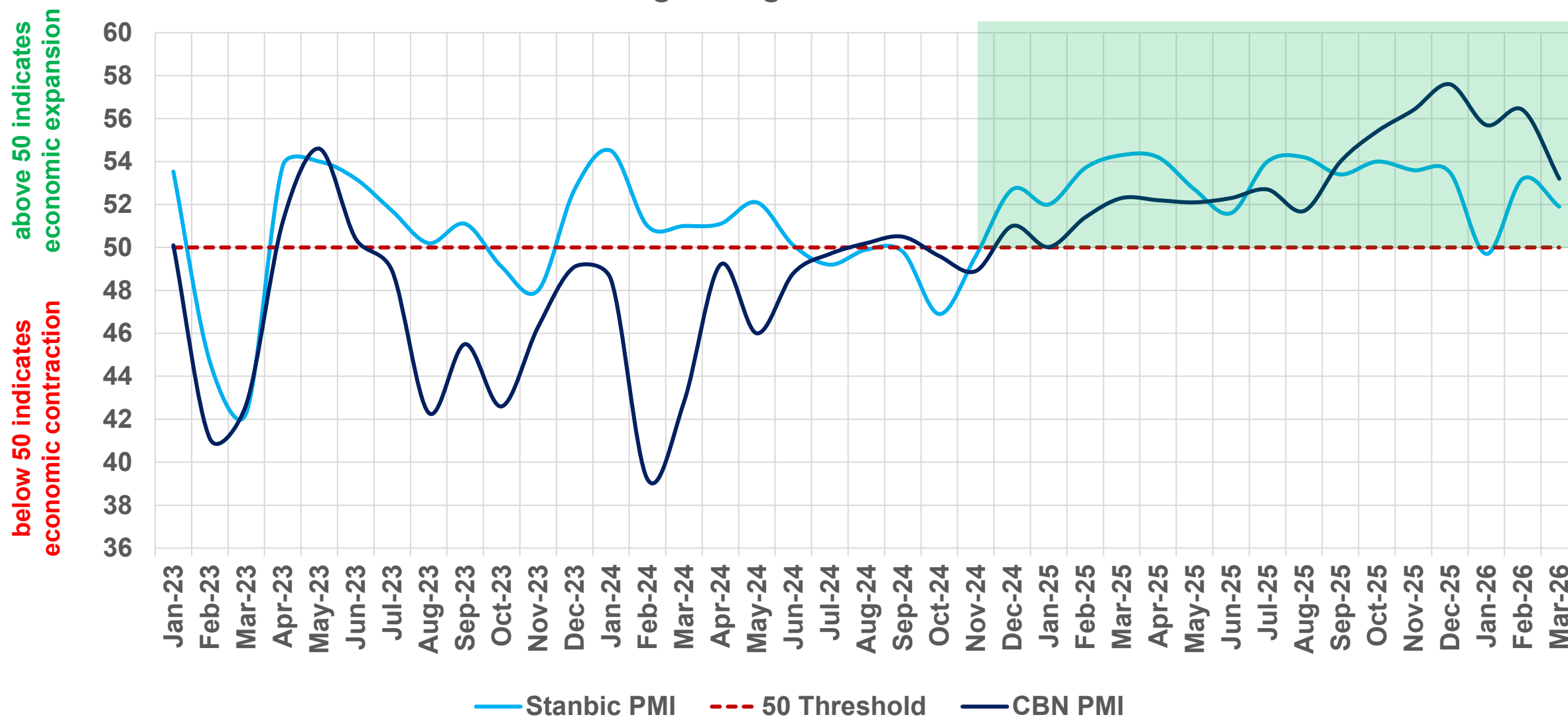
The growth pick-up in 2024 was sustained in 2025, driven by services but with improvement across agriculture, oil, and manufacturing



Source: NBS, World Bank

High-frequency indicators for Q1 2026 point to sustained growth, with limited impact from the Middle East conflict on business activity so far

Purchasing Managers Index

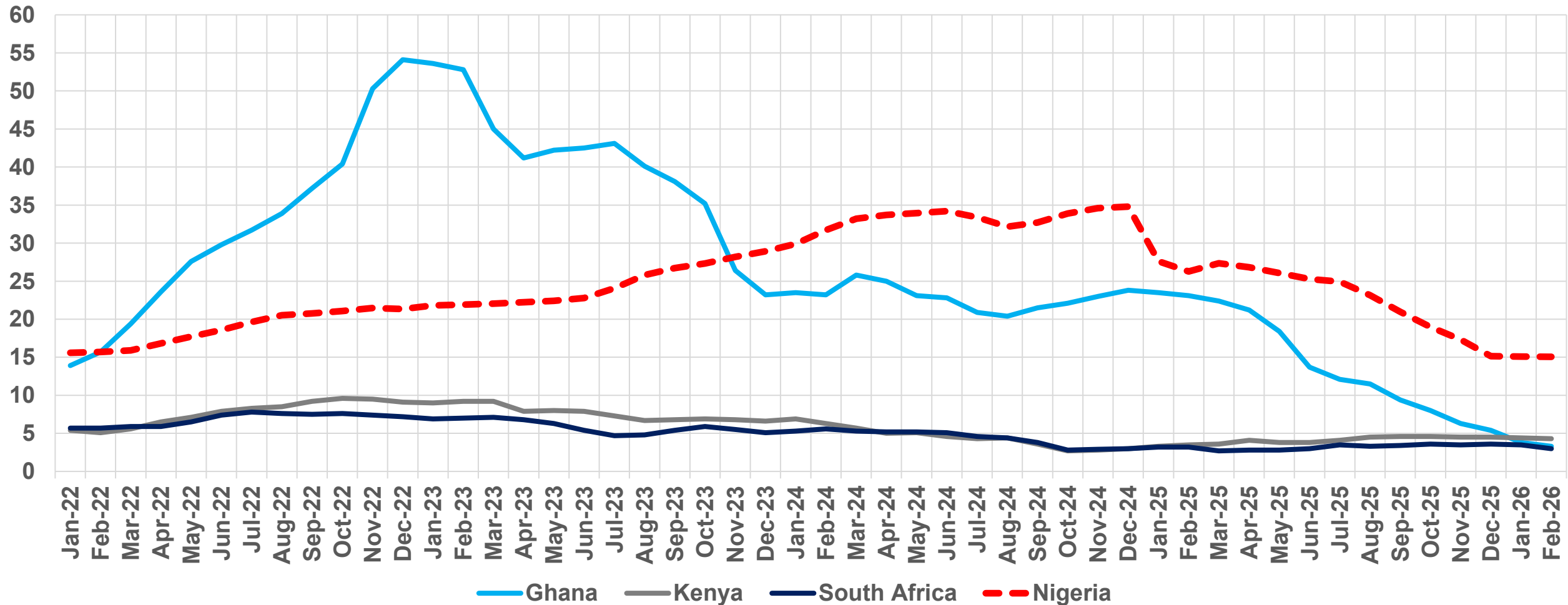


Source: CBN and Stanbic PMI

Although inflation declined in 2025, at 15% it remains very high; the fight is not over

In 2025, inflation declined—reflecting tight monetary policy, reduced exchange rate volatility, and stronger agricultural output—but it remains high compared to Kenya, Ghana, and South Africa

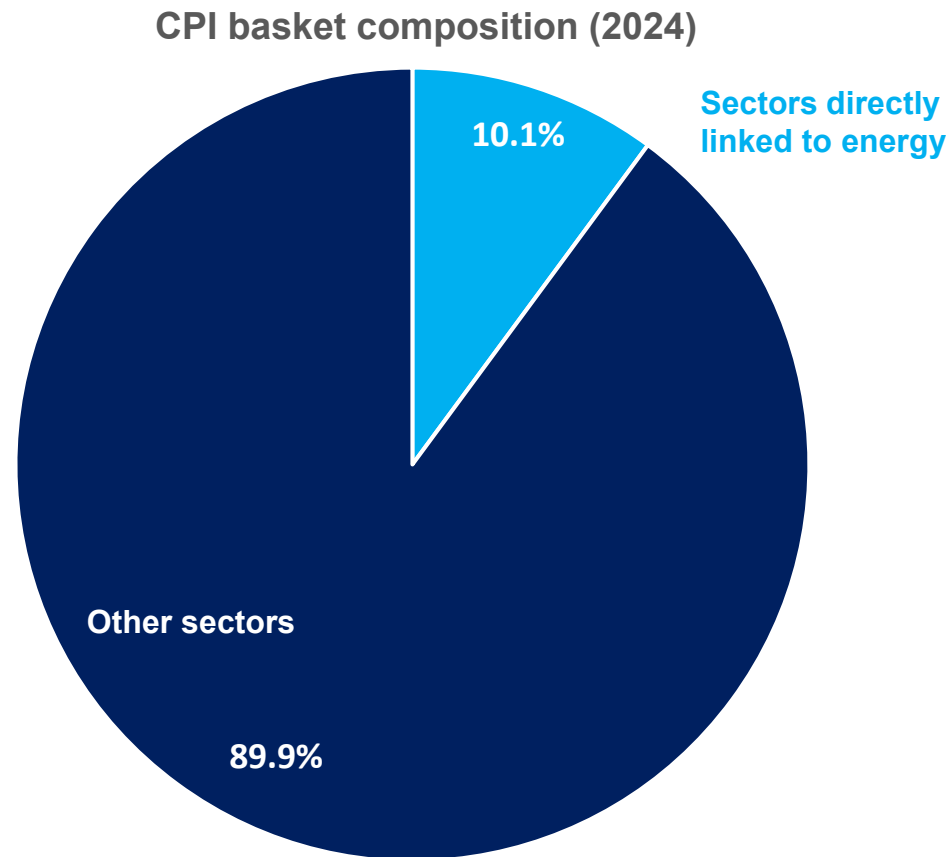
CPI inflation (yoy, %)



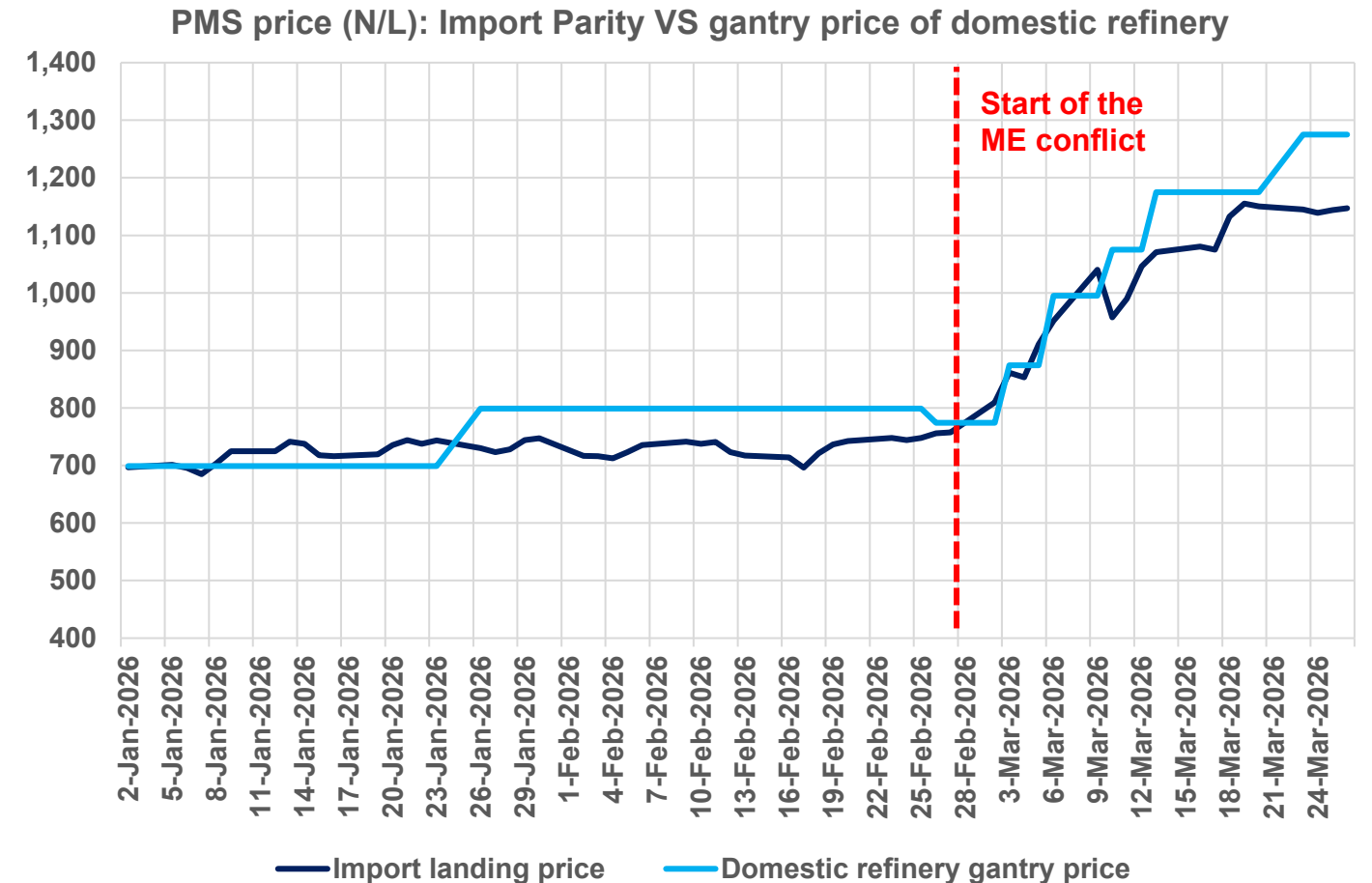
Source: NBS, KBS, GSS, and World Bank

...and the Middle East conflict is already putting upward pressure on inflation

Sectors directly linked to energy account for 10% of consumption, but there will also be indirect effects



The 50+% surge in PMS prices since the onset of the Middle East conflict will exert upward pressure on inflation

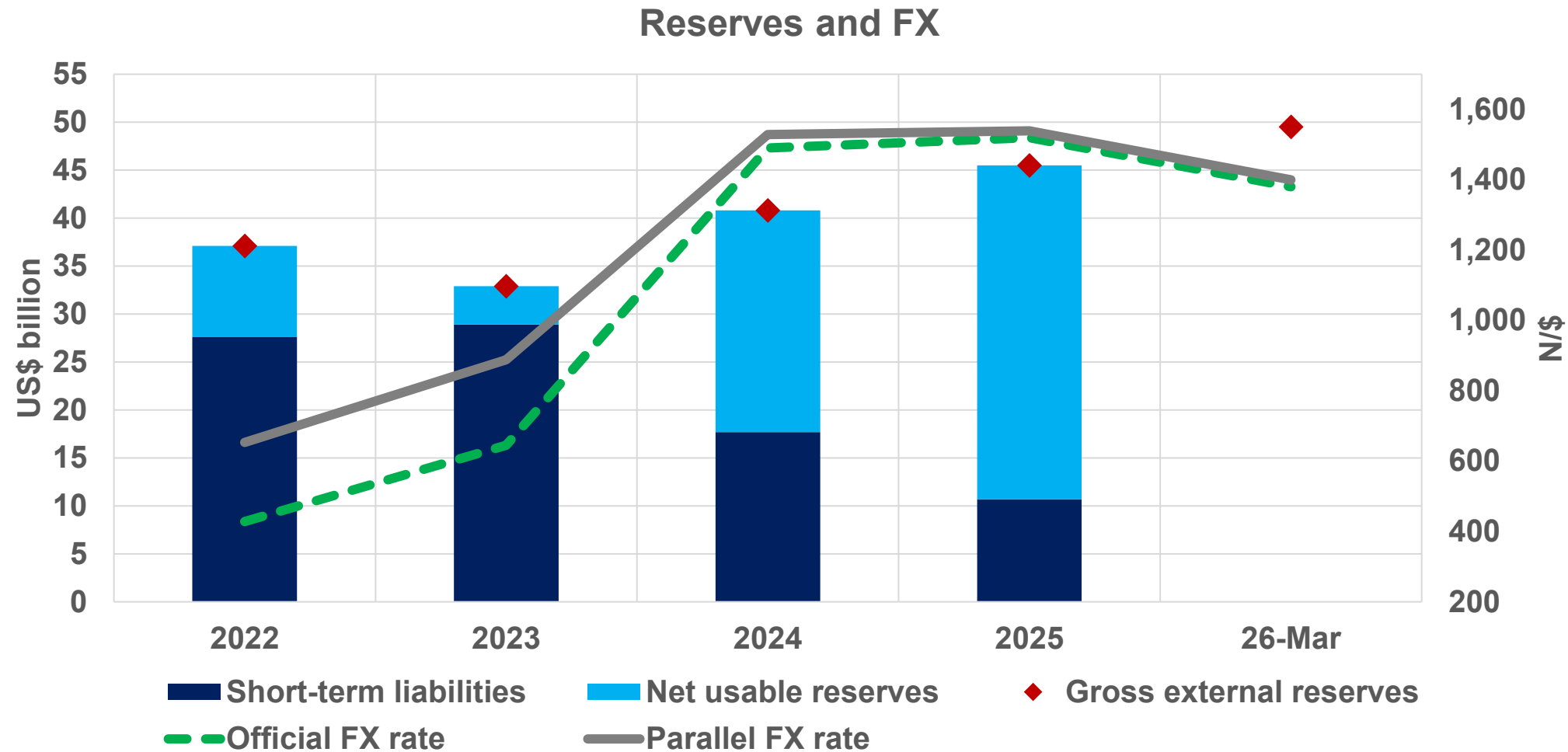


Source: NBS, MEMAN, and World Bank.

Note: The sectors that are directly linked to energy commodities are: Electricity from all sources (coal, solar, hydro, etc.); Transportation by airplane and vehicles for medical emergency reasons; Diesel fuel Petrol /gasoline; Gas, biofuels, methane and two-stroke mixtures; Lubricants; Transport services by bus, trolley bus and coach; and Transport services by shared taxis.

The external position has improved, strengthening resilience amid tighter global financial conditions

The external position has strengthened, with **reserves rising**, the **FX market unified**, and **volatility declining** since 2024, supported by a current account surplus and portfolio inflows.



Risks from ME Conflict

Channel: Capital and income flows

Risk of large foreign portfolio outflows

Lower FDI

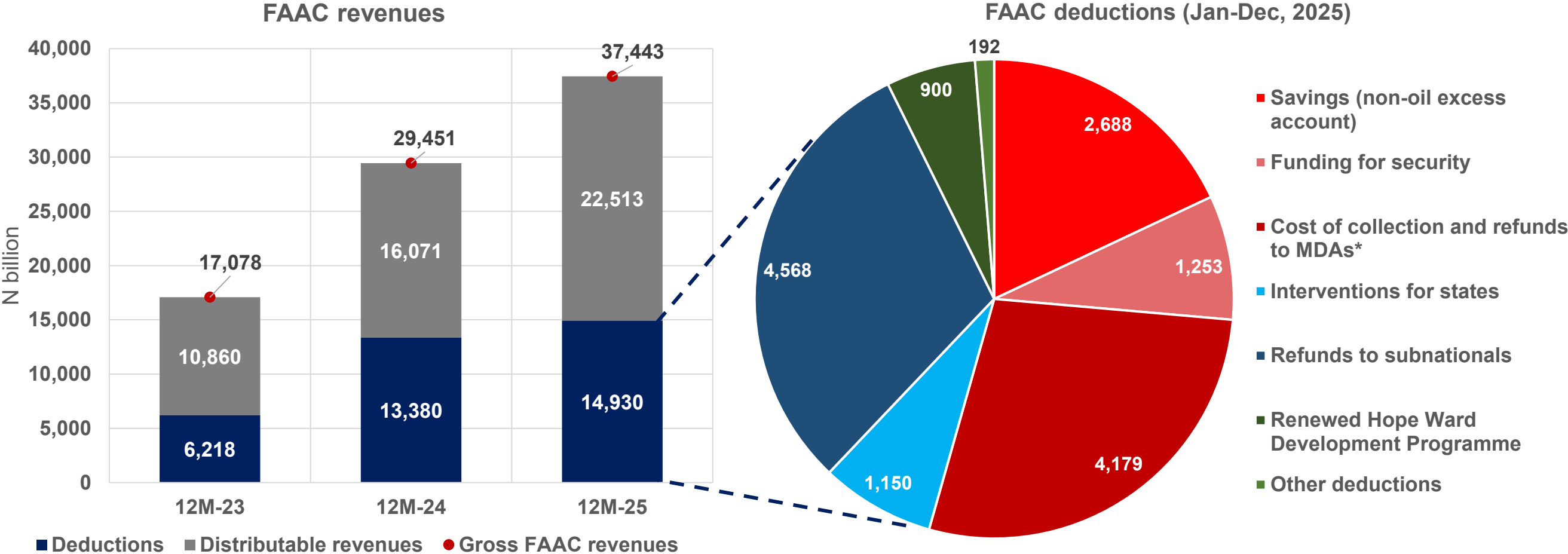
Higher external borrowing costs

Lower remittances

Source: CBN, FMDQ, market surveys

Gross revenues have increased and are expected to benefit from higher oil prices linked to the Middle East conflict

FAAC revenues rose from N17.1 trillion (7.9% of GDP) in 2024 to N37.4 trillion (9.5% of GDP) in 2025, driven by improved tax administration. Yet deductions remained sizeable.

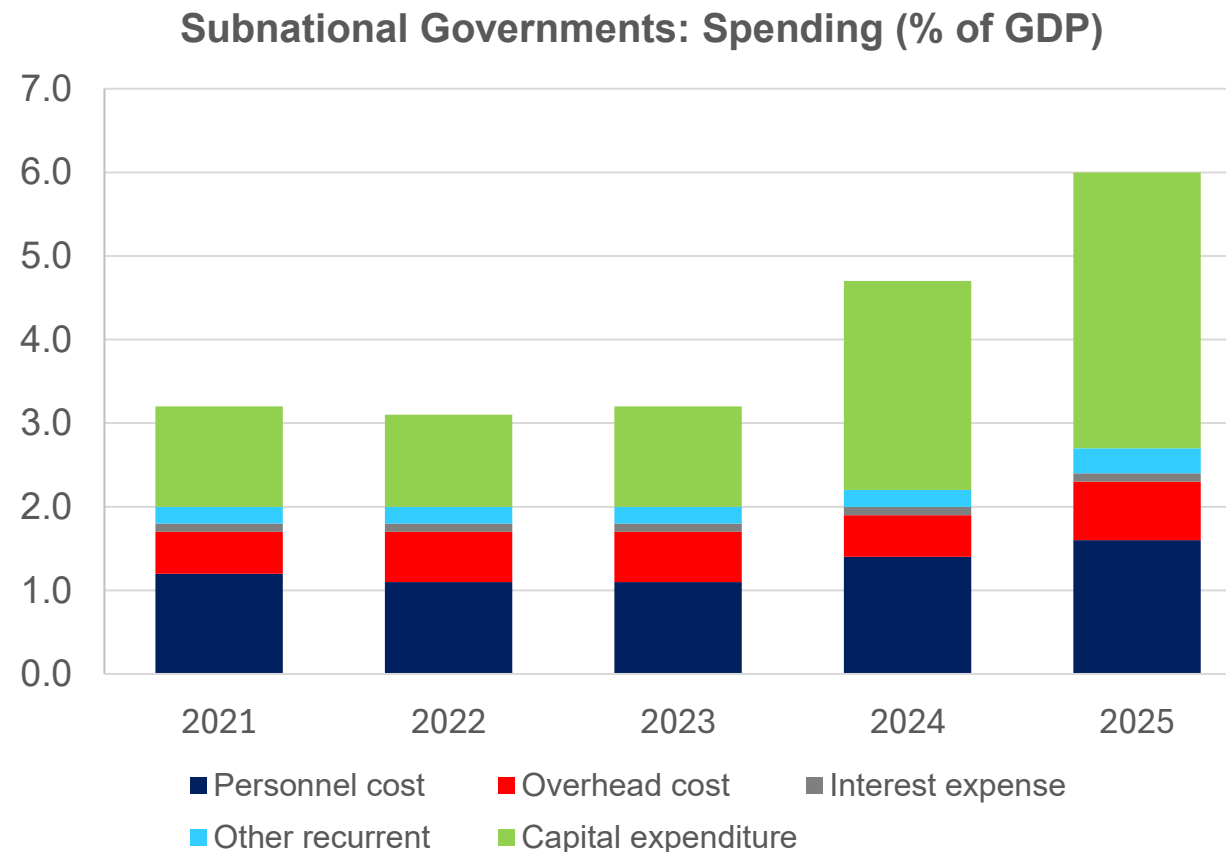
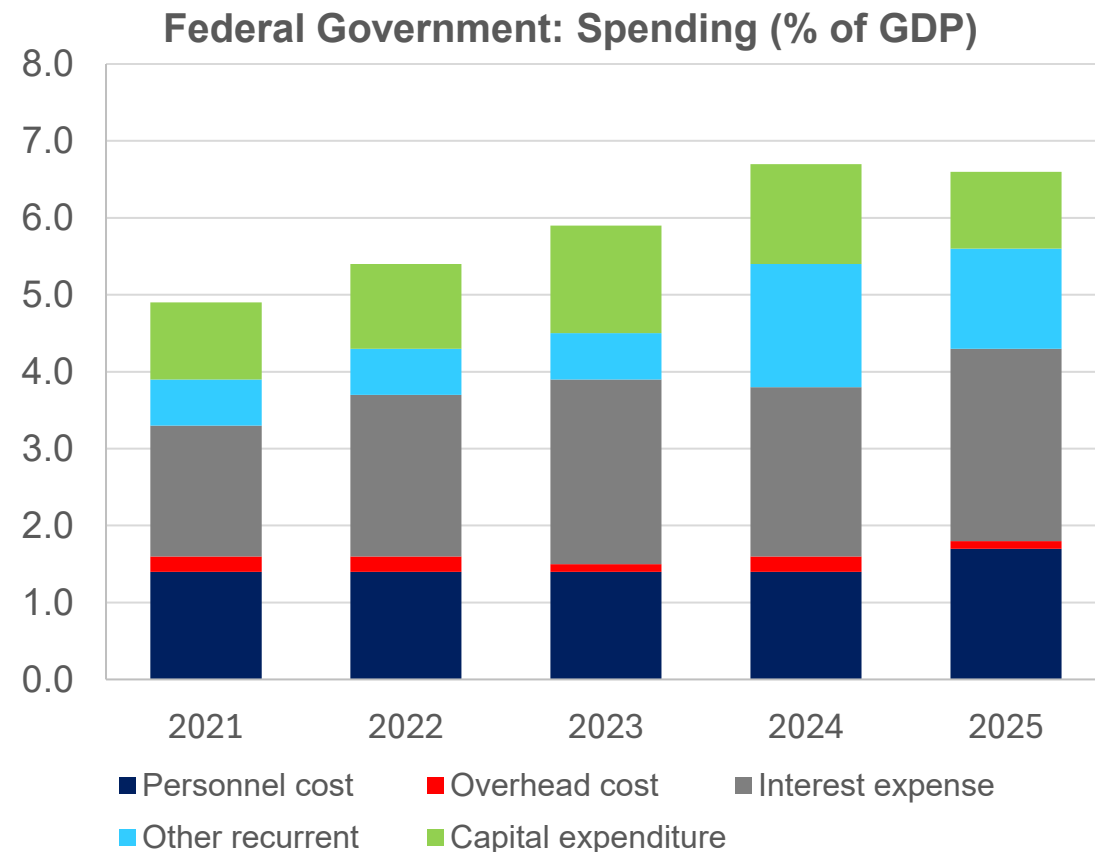


Source: FAAC and World Bank

Note: * The MDAs/GOEs that received FAAC funding are NRS, NCS, NMDPRA, NUPRC, NEDC, FEF, RAMFAC, and NSIA

At the same time, spending has increased, driven by higher interest payments, a rising wage bill, and increased state-level capital spending

Spending in 2025 increased due to (i) a higher wage bill following the minimum wage adjustment, (ii) rising interest payments at the federal level, and (iii) an increase in capital spending by subnational governments

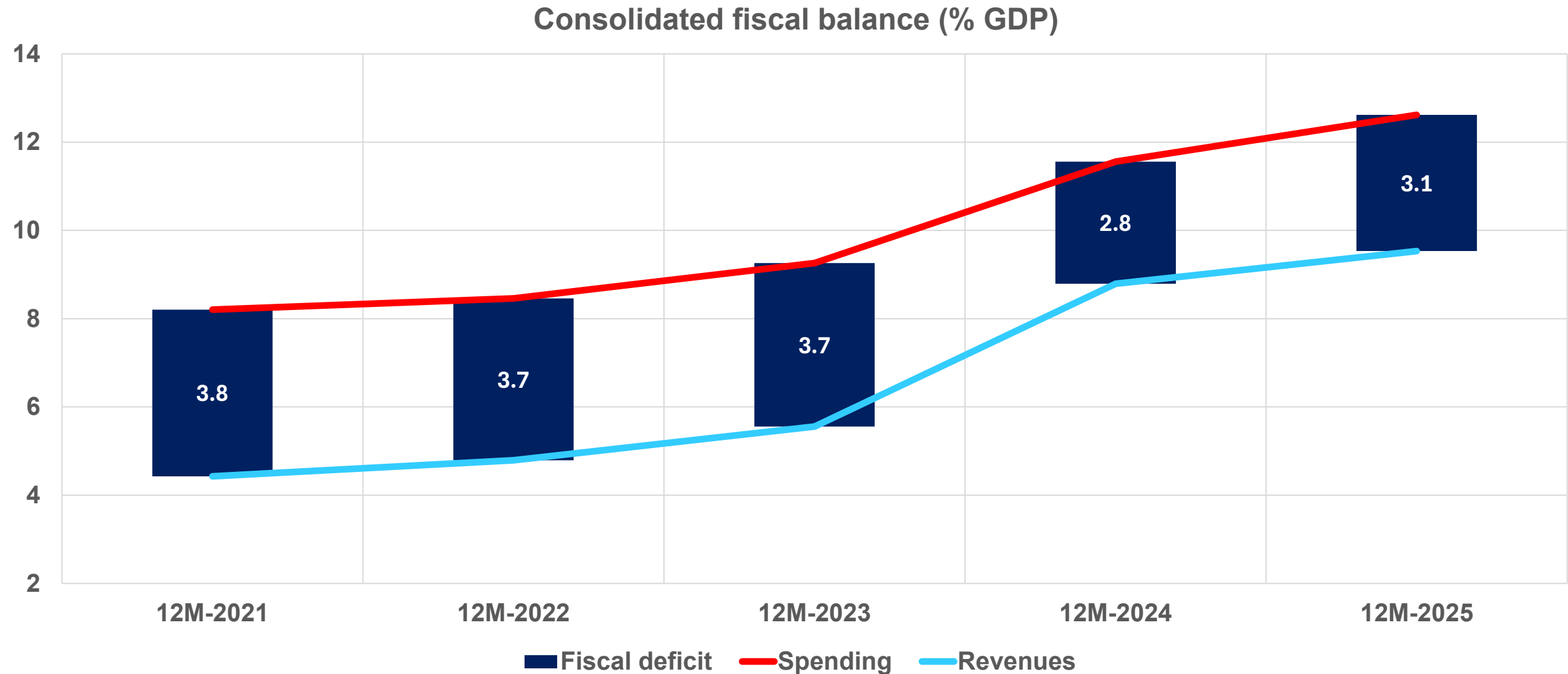


Source: OAGF, FAAC, State AFS and BIRS, NBS, World Bank.

Notes: (1) Other spending include FAAC deductions such as security expenditures, the Renewed Hope Ward Development Programme, the Presidential Metering Initiative, as well as spending from service-wide votes, and the Presidential Amnesty Programme, among others

(2) Subnational governments include SGs+LGs+FCT

As a result, the consolidated fiscal deficit of the Federation (FG+SG+LG) widened slightly, but remains below pre-2023 levels



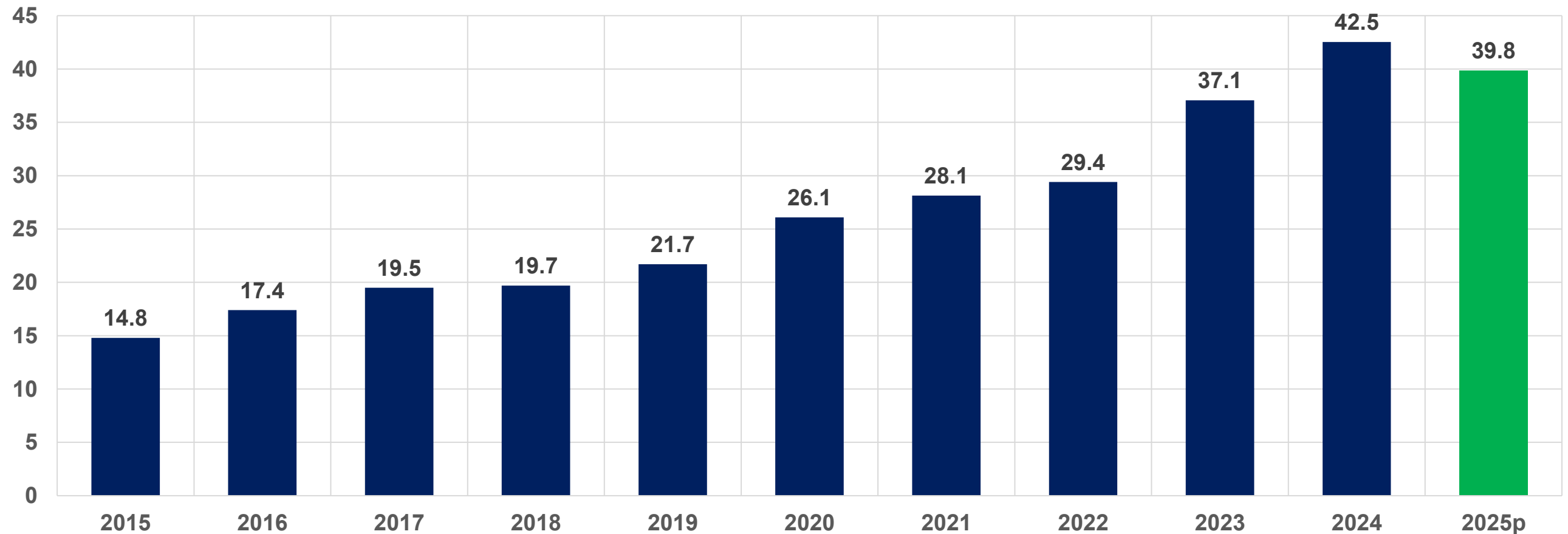
Source: Source: OAGF, FAAC, State AFS and BIRs, DMO, NBS, World Bank.

Note: The consolidated fiscal position (FGN, States, and LGs) includes only interest payment as debt expenditure as amortization is below the line.

Debt pressures have eased in 2025, supported by fiscal resilience, stronger growth, and exchange rate appreciation

Debt-to-GDP ratio is projected to decline from 42.5 percent in 2024 to 39.8 percent in 2025, the first decline in more than a decade; and debt service-to-revenue dropped significantly to levels not seen in many years

Debt to GDP ratio (%)



Source: DMO, NBS and World Bank.

Note: Public debt includes the remaining stock of ways and means, AMCON liabilities, explicit guarantees, and the electricity subsidy arrears.

Nigeria's economy is expected to remain resilient, but accelerating poverty reduction will require faster, broad-based growth and lower inflation



Growth expected to hold steady

~4.2% (2026–2028) – Supported by continued reform momentum



Inflation under renewed pressure from ME Conflict

...reflecting elevated global prices, eroding real incomes and slowing poverty reduction



External position set to remain strong

Sizable current account surplus in 2026, driven by oil exports and remittances



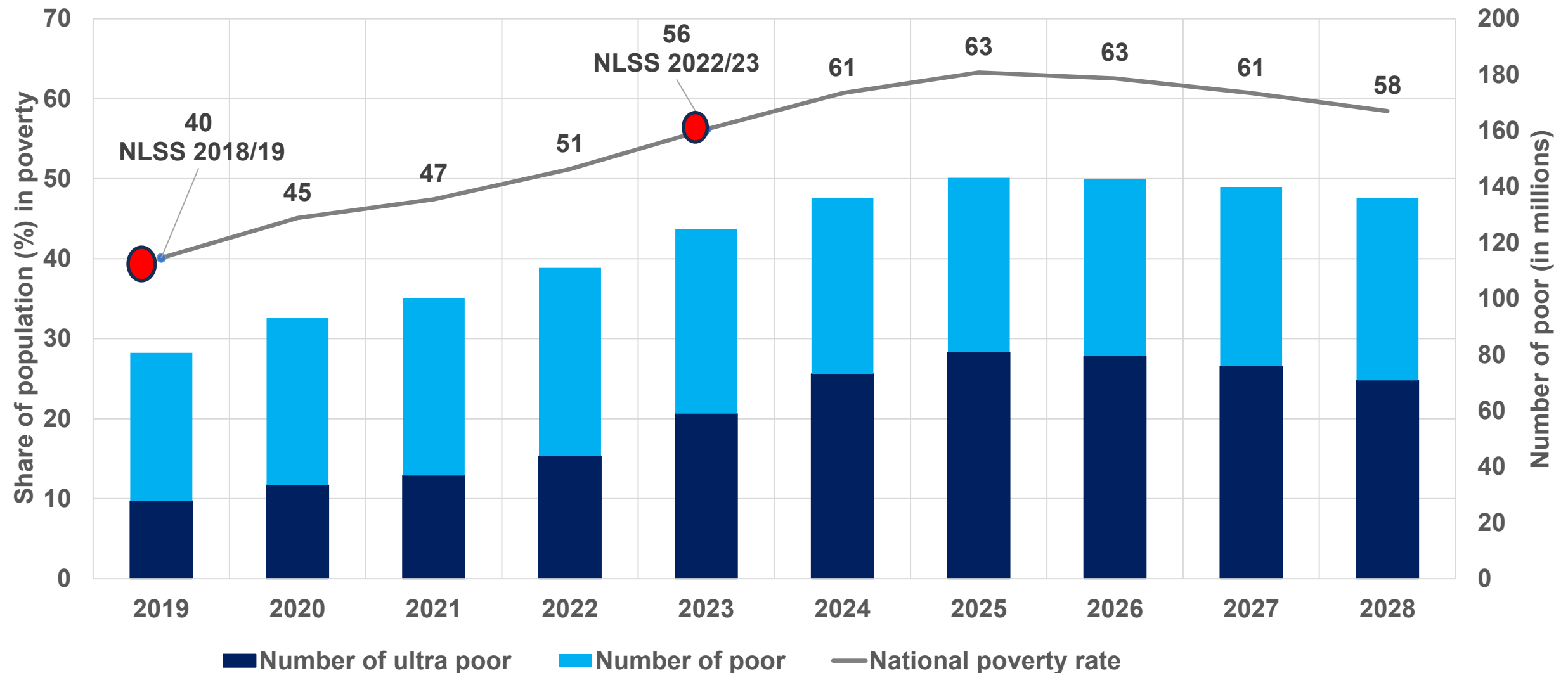
Fiscal position to remain broadly neutral

Higher revenues would be absorbed by election-related and development spending

⚠️ Key Risks

 Global tightening |  Inflation |  Climate shocks |  Elections |  Security

Poverty remains high; bringing inflation down faster and boosting growth are essential for people to feel the benefits of reforms



Source: Lines are projections using NLSS 2018/19 and NLSS 2022/23; and dots are survey estimates. Poverty is defined using the national poverty line, constructed from a selected basket of essential food and non-food goods and services that reflect the average needs to maintain a minimum daily energy requirement. Ultra-poor are those unable to meet minimum caloric needs even if all expenditures were spent on food.

Note: Poverty estimates for 2024 and beyond have been revised from the previous NDU to reflect the re-referenced CPI data published by NBS in January 2026

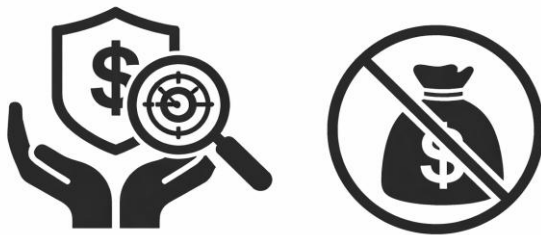
Policy responses to manage oil windfall and reduce inflation pressures stemming from the Middle East Conflict

FISCAL DISCIPLINE

- (1) COUNTERCYCLICAL FISCAL POLICY
Save for rainy days, rebuild buffers



- (2) PROTECT PEOPLE, DON'T DISTORT
Targeted social protection, not blanket
subsidies



MONETARY AND FX POLICY

- (3) KEEP APPROPRIATE MONETARY POLICY
Anchor inflation expectations



- (4) ENSURE FX FLEXIBILITY
Absorb shocks, limit interventions

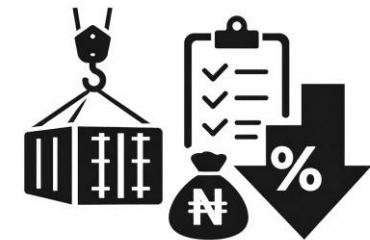


MARKET FUNCTIONING

- (5) RESTORE PMS COMPETITION
Reopen imports, reduce prices



- (6) EASE SUPPLY CONSTRAINTS
Reduce tariffs and lift import bans
(including on intermediate inputs)



- (7) STRENGTHEN COMMUNICATION
Provide clear, consistent signals to anchor expectations



**Beyond risks from ME conflict,
sustaining and deepening stabilization
is key to fully reaping reform gains**



Some important macroeconomic reforms were undertaken since the last NDU edition...

DATE	REFORM	IMPLICATIONS
October 24, 2025	The Financial Action Task Force (FATF) has removed Nigeria from its “grey list”	Reduce country risk premia, lower transaction costs, and supports foreign investment and cross-border financial flows.
February 13, 2026	Issued Executive Order that removed certain FAAC deductions and requires taxes, royalties, and profit oil under PSCs to be remitted in cash to the Federation.	Generates extra revenues of 0.4% of GDP annually and increase the transparency of oil revenue flows
March 27, 2026	Launched the National Single Window (NSW)	Established a centralized digital platform integrating key agencies to streamline trade, reduce clearance times and costs, and improve competitiveness.
March 31, 2026	Concluded banking recapitalization process	Strengthen financial sector resilience, expand lending capacity, and support private-sector-led growth.

... but more needs to be done to consolidate and deepen reforms

KEY REFORMS

MEASURES TO SUSTAIN AND DEEPEN THE REFORMS

(A) Monetary and FX policy



Strengthen monetary policy

- Maintain policy discipline until inflation falls further
- Improve policy implementation: Focus OMOs on naira liquidity control with short-tenure bills, narrow SDF/SLF corridor, and gradually reduce CRR



Foster **stable, organic FX flows**

- Maintain naira flexibility as a shock absorber, intervening only to limit excess volatility
- Gradually ease FX market constraints (e.g., gradually allow net open USD positions)

(B) Fiscal policy



Make **cost-effective electricity** available to all

- Improve operational performance and reduce losses
- Adopt cost-reflective tariffs



Reduce the **cost of government**

- Reform the TSA
- Cut non-essential spending
- Reduce the cost of operations of GOEs (NRS, NEDC, NUPRC, RAMFAC, etc.)



Promote **non-oil revenues**

- Strengthen tax audits
- Modernize subnational property tax systems



Improve **fiscal governance**

- Clear 2022–2025 FGN audit backlog
- Publish monthly reconciled fiscal data



Enhance **budget credibility**

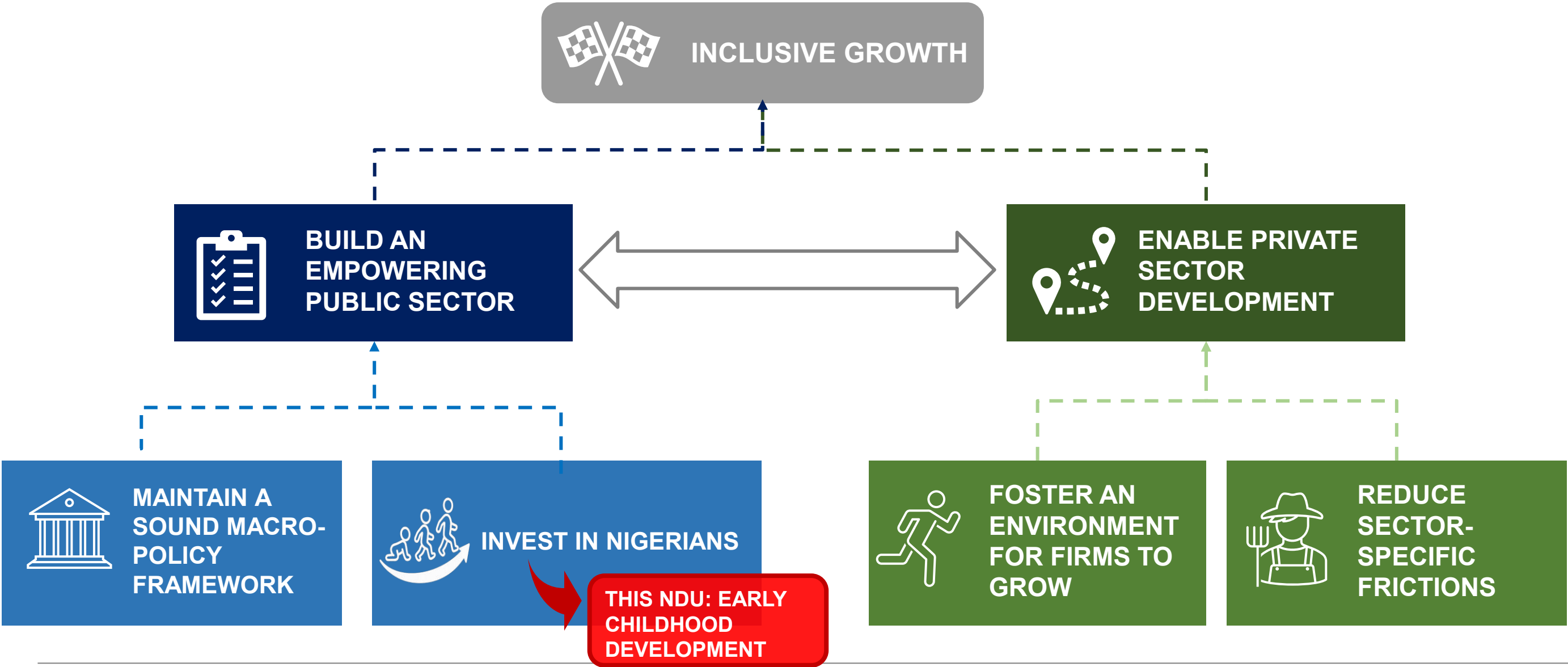
- Use realistic budget assumptions
- Avoid multiple budgets per year

From stabilization to inclusive growth: Tackling structural constraints to early childhood development



Macro stability is necessary but not sufficient for faster, more inclusive growth and job creation; Nigeria needs an empowering and enabling public sector...

Recent NDUs focused on foundations for a **private sector-led, public sector-enabled growth agenda**



...Early Childhood Development (ECD) is a core priority for growth: empowering Nigerians to access productive employment

ECD lays the foundation for **human capital development** and **inclusive growth** through **interdependent interventions**



Source: Based on World Bank (2016). Investing in the Early Years for Growth and Productivity. World Bank Group Human Capital Initiative.

Early childhood outcomes shape the lives of millions of Nigerians ...



7 million children are **born** every year



Many children do not survive
> 110 per 1,000 die before age five



Early growth faltering is widespread >
40% are **stunted**, often with lasting consequences



Gaps emerge early and widen quickly >
52% are **not developmentally on track**



30% aged 3-5 can identify five letters; **34%** can recognize numbers from 1-5

SURVIVE



GROW



DEVELOP



LEARN

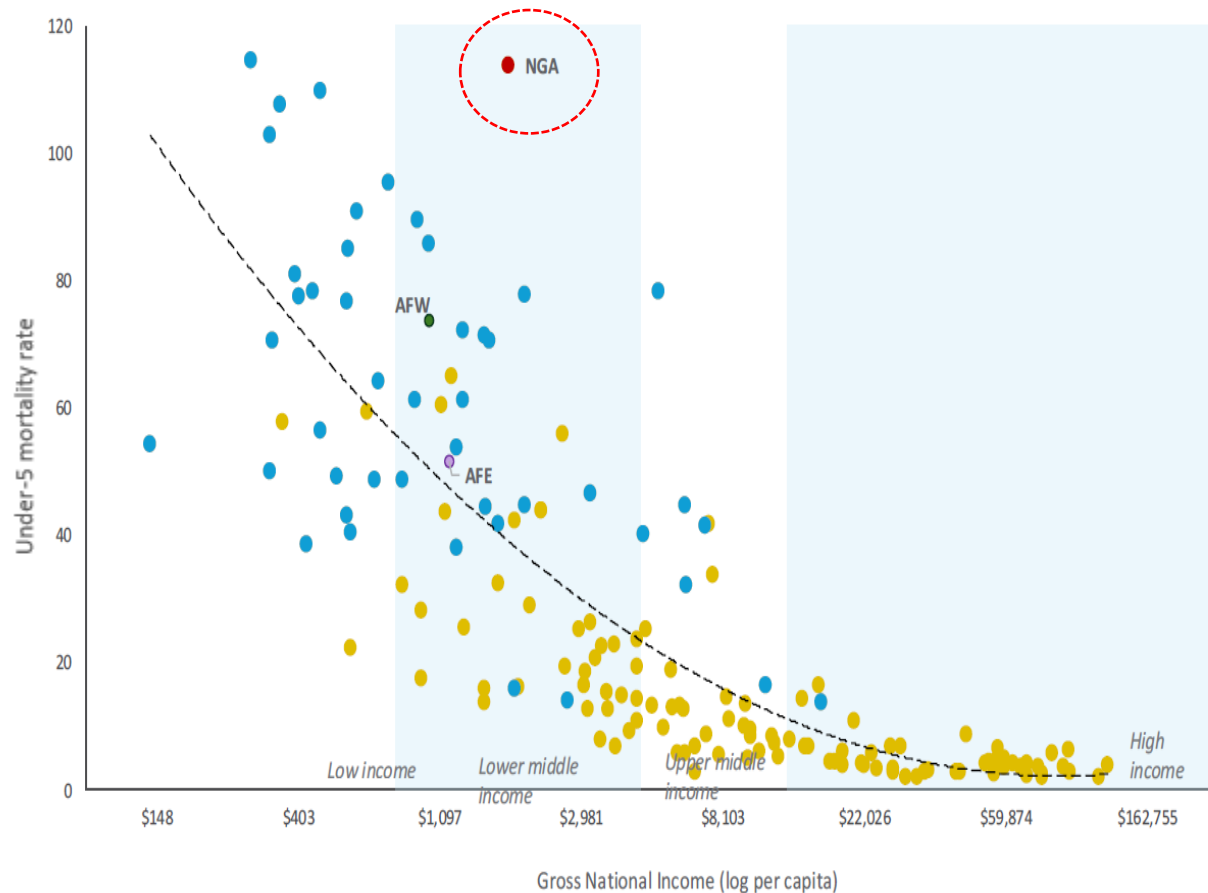
Sources: World Population Projections, Nigeria Demographic and Health Survey 2023/4, Multiple Indicator Cluster Survey 2021

...Nigeria underperforms relative to its income peers...

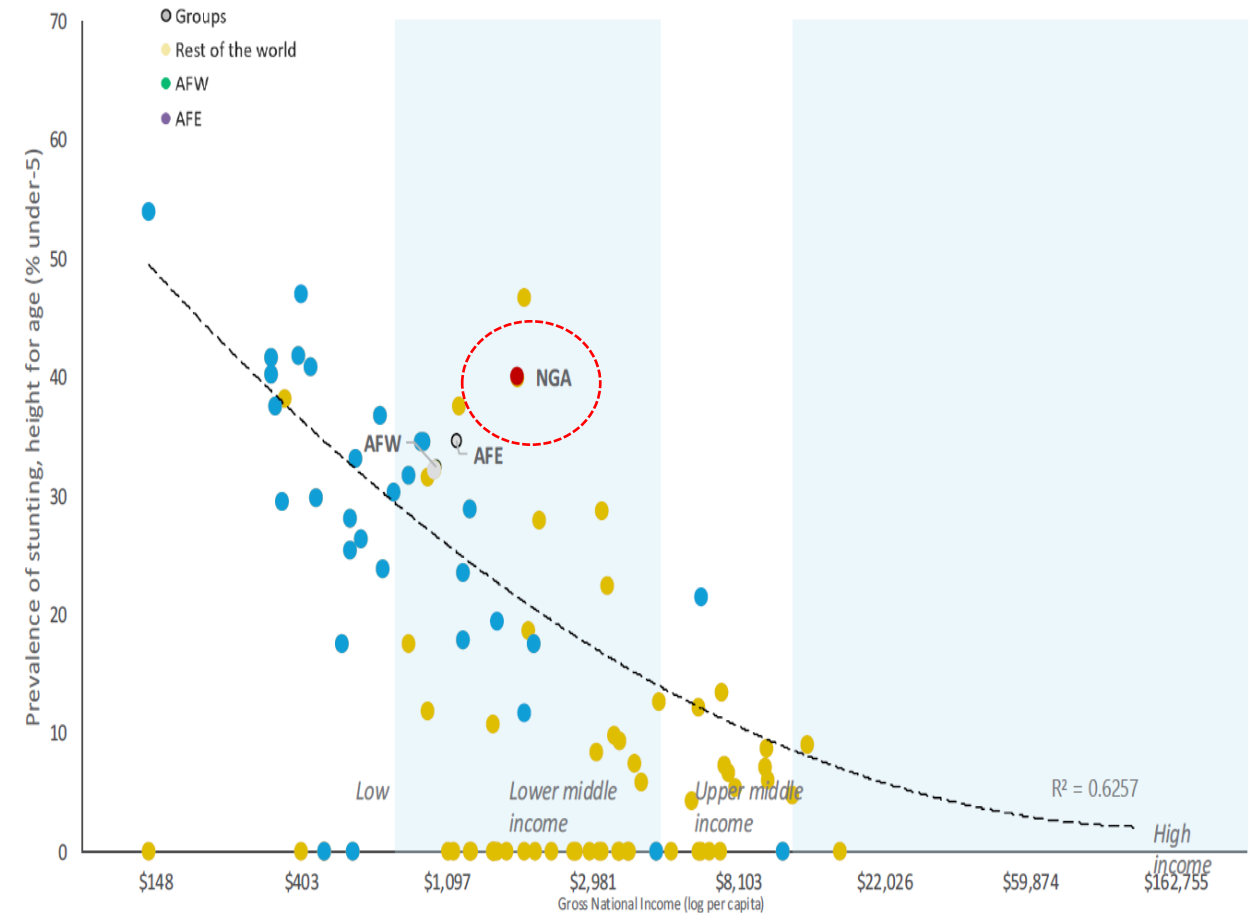
Nigeria's **under-5 mortality** is well above that of peers with similar income

... and a similar gap is observed for **stunting**

Under-5 mortality rate (2023-2024) vs. GNI per capita



Prevalence of Stunting, Height for Age (% Under-5) vs. GNI Per Capita



Source: WDI and World Bank.

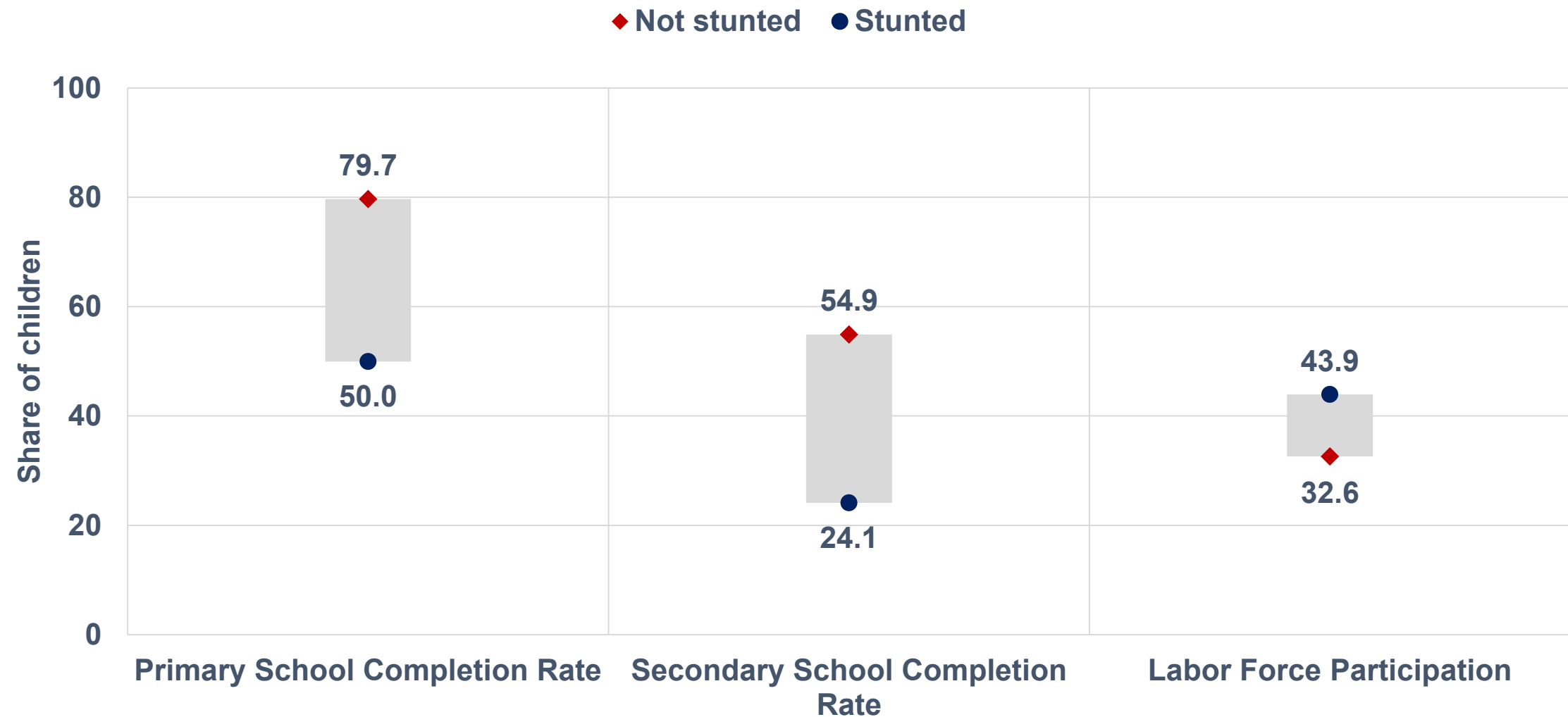
Note: AFW refers to the World Bank classification for West African countries; AFE for Eastern and Southern African countries

Source: WDI and World Bank.

Note: AFW refers to the World Bank classification for West African countries; AFE for Eastern and Southern African countries

...with long-term consequences for education outcomes and labor market prospects...

Children who are not stunted are 1.6 times more likely to complete primary school and more than twice as likely to complete secondary school



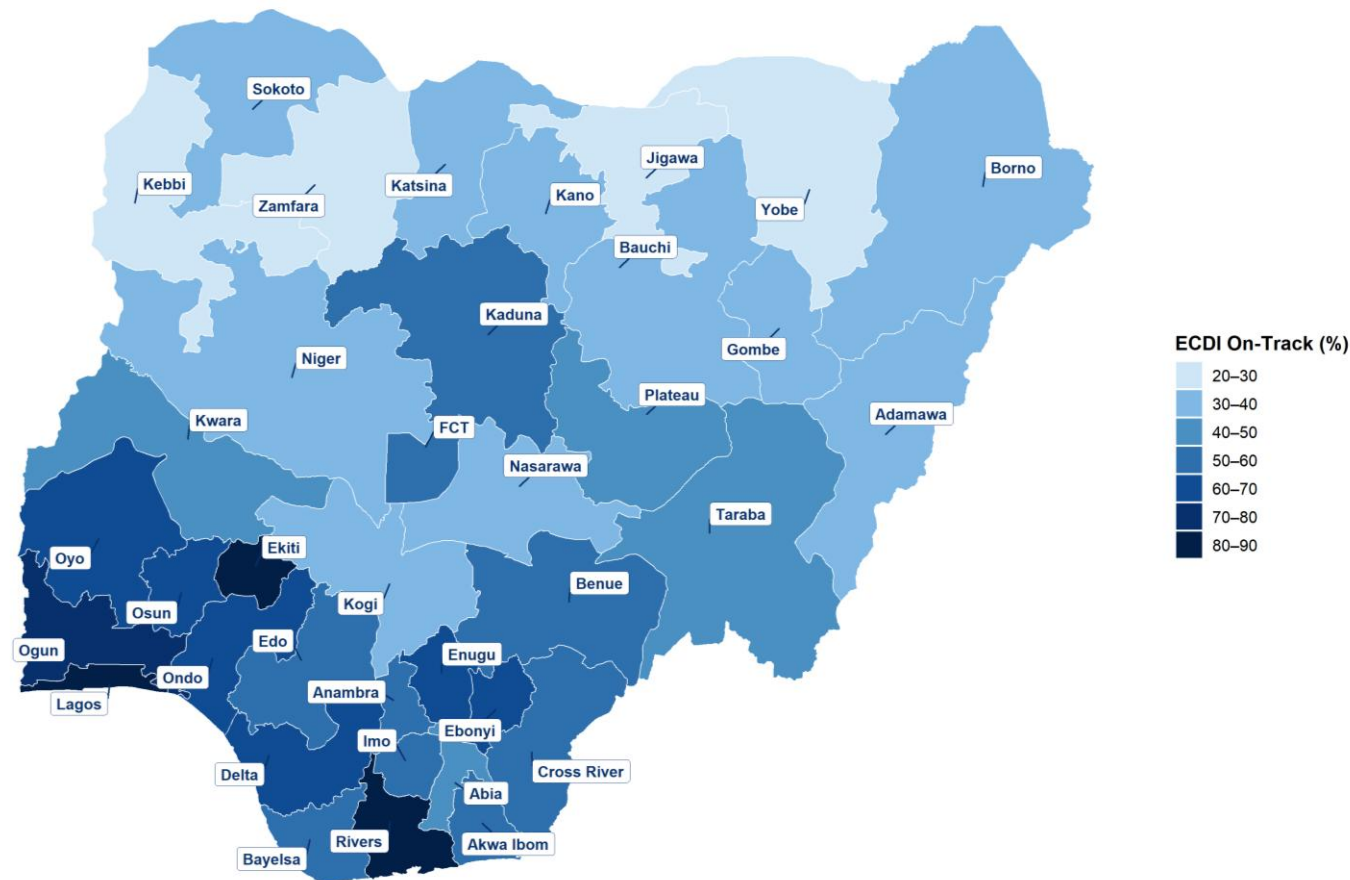
Source: Nigeria General Household Panel Survey; Wave 1-5, 2009-2023.

...and outcomes vary across regions and household income groups

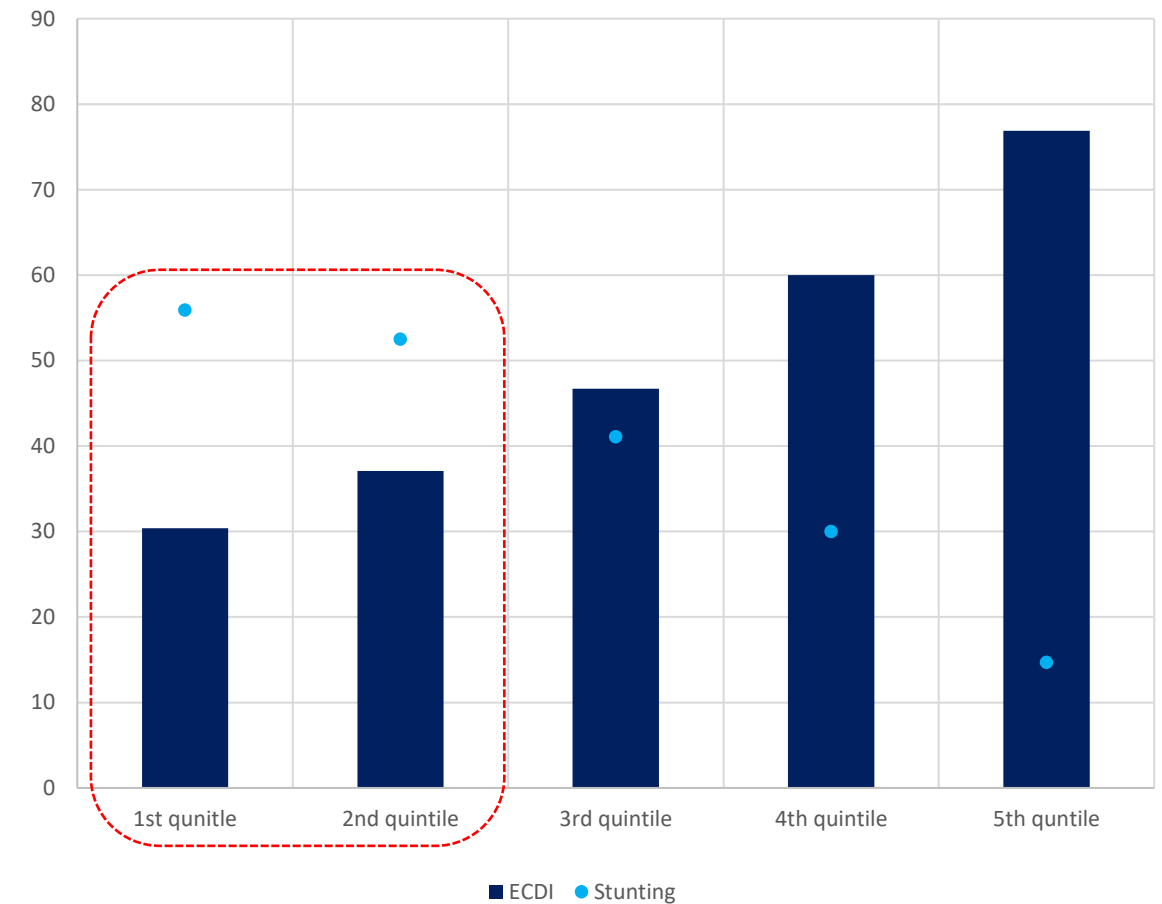
ECD outcomes are much lower in Northern States ...

... and among the poorest households

ECDI On-Track Among Children 24-59 | Nigeria (All States + FCT)



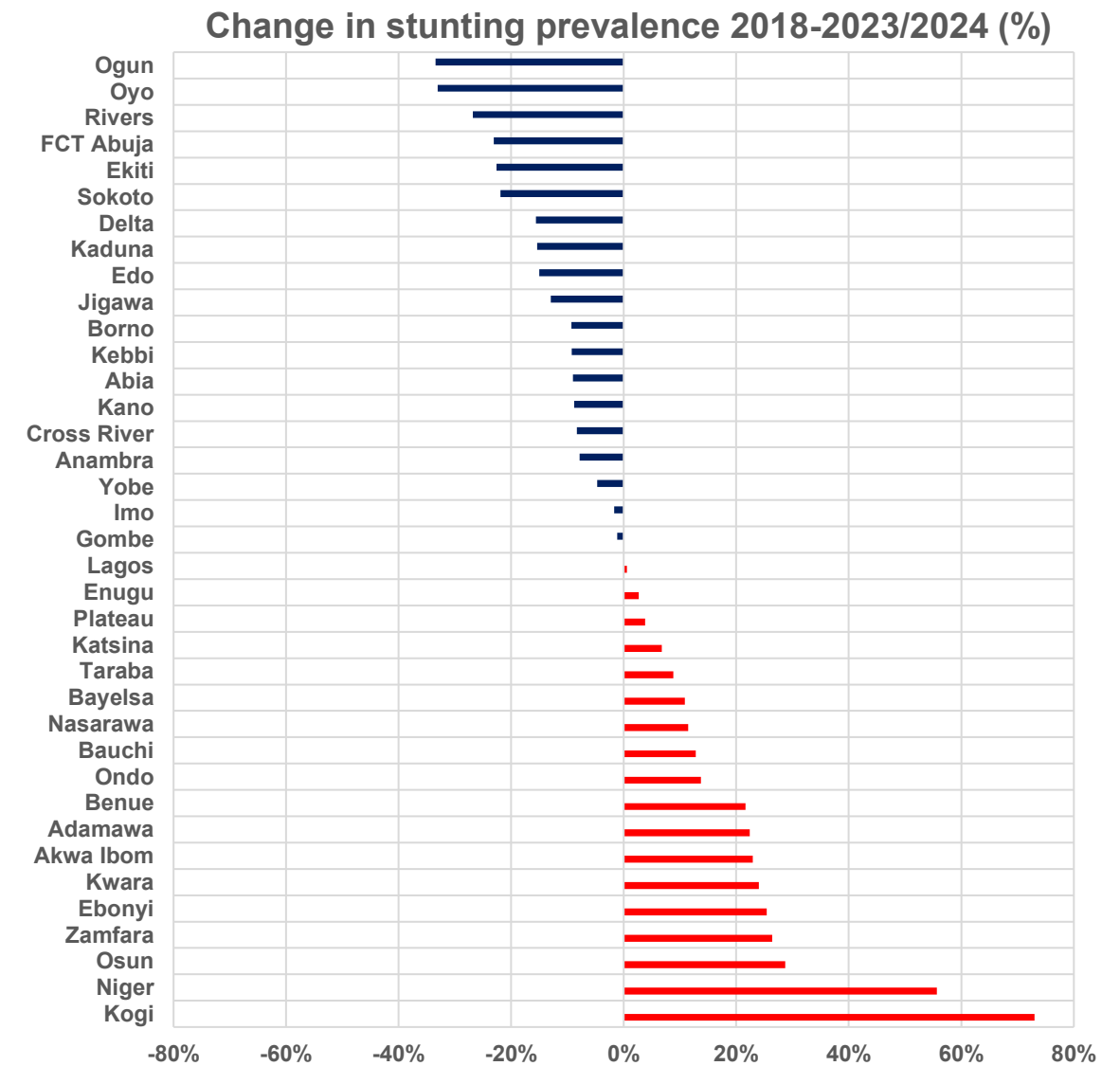
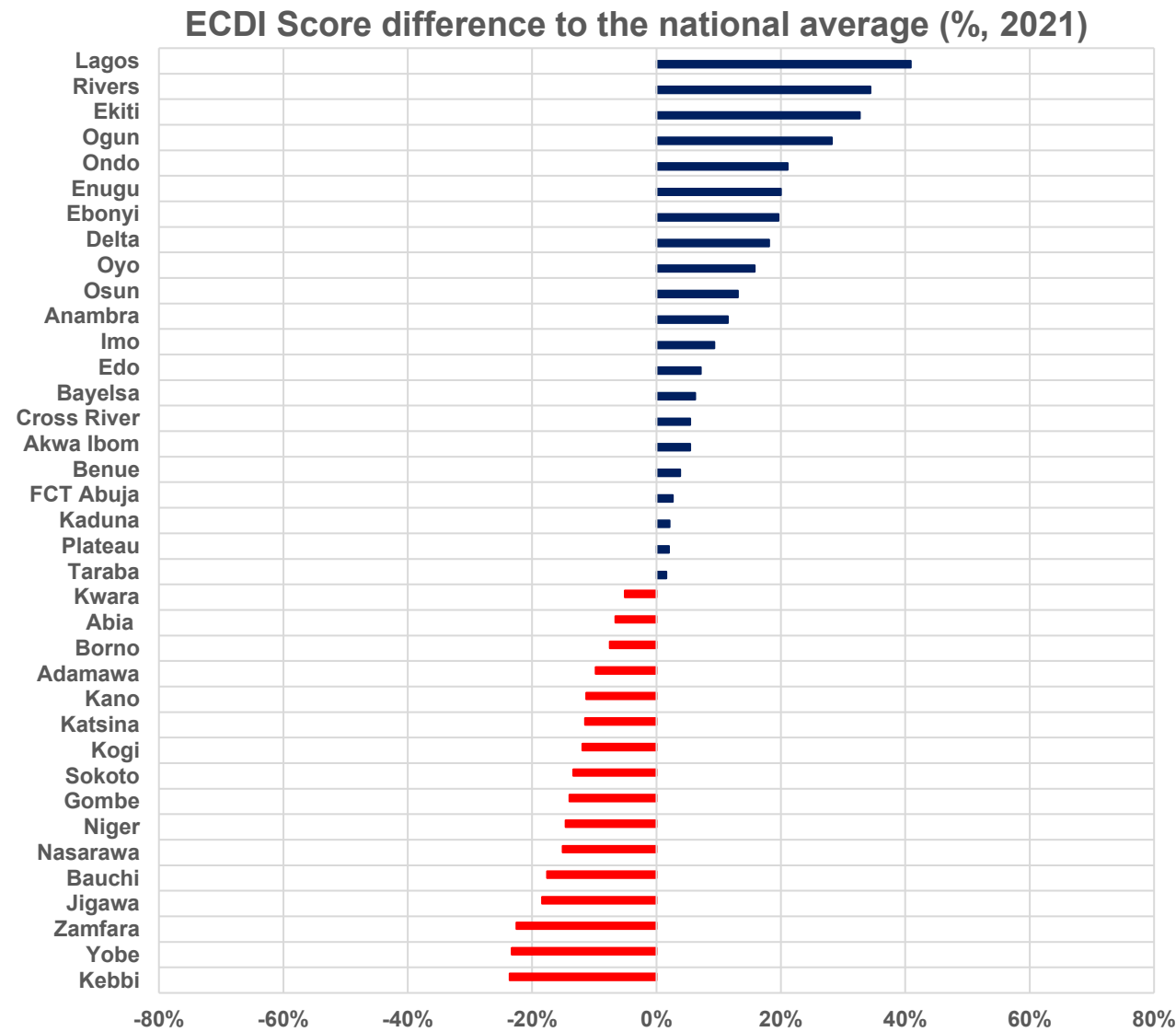
ECD Index and Stunting by Income Quintile



Sources: Nigeria Demographic and Health Survey (NDHS) 2023-24; Multiple Indicator Cluster Survey (MICS) 2021

Progress has been slow, but some states have performed better







Current performance and recent progress vary widely across states, both in stunting and ECDI scores...

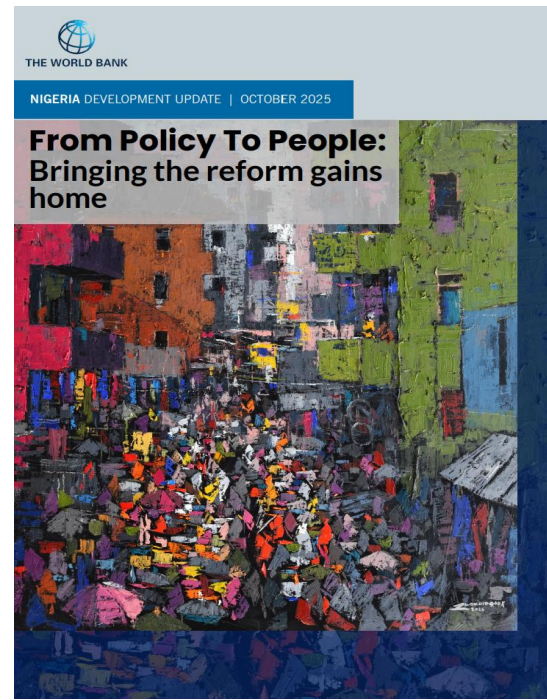
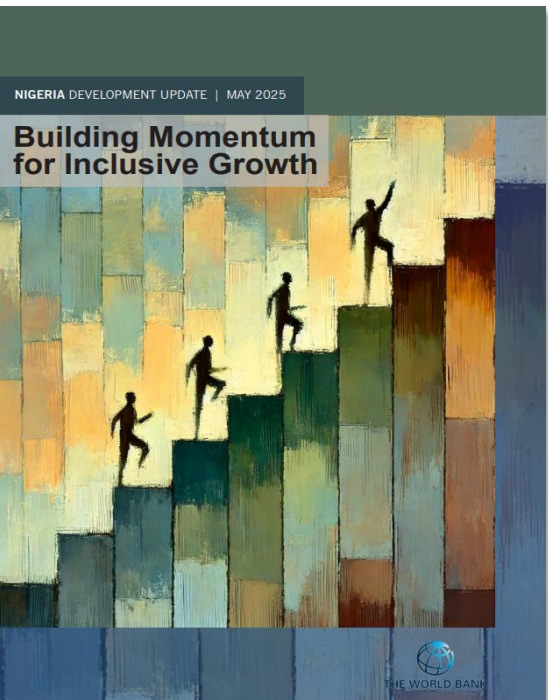
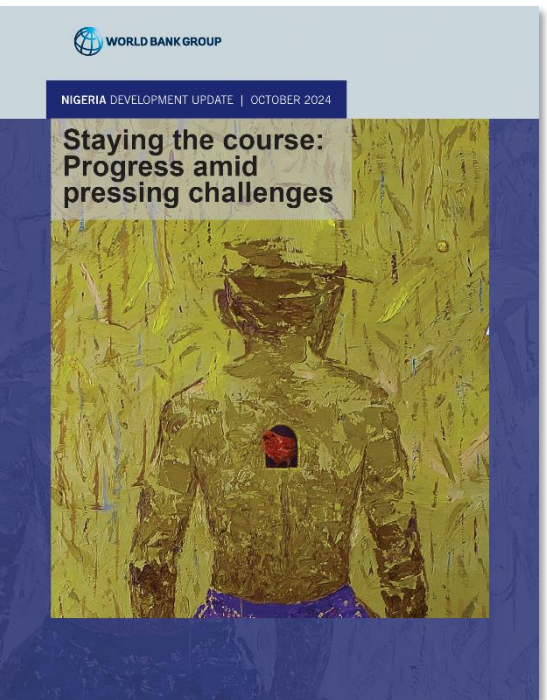
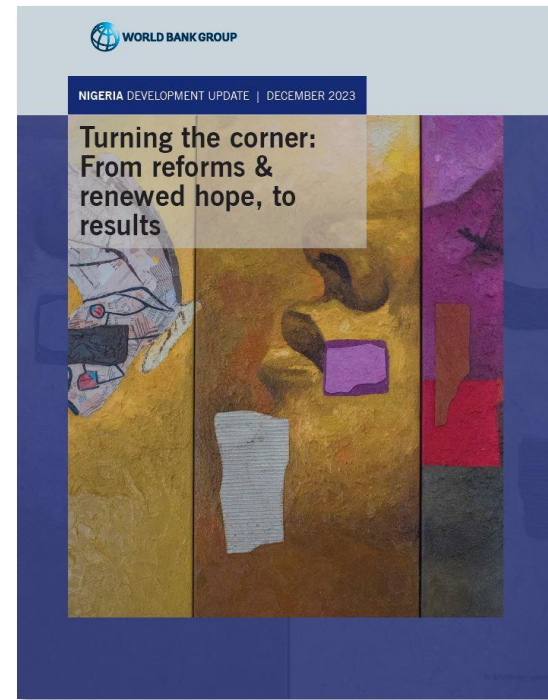
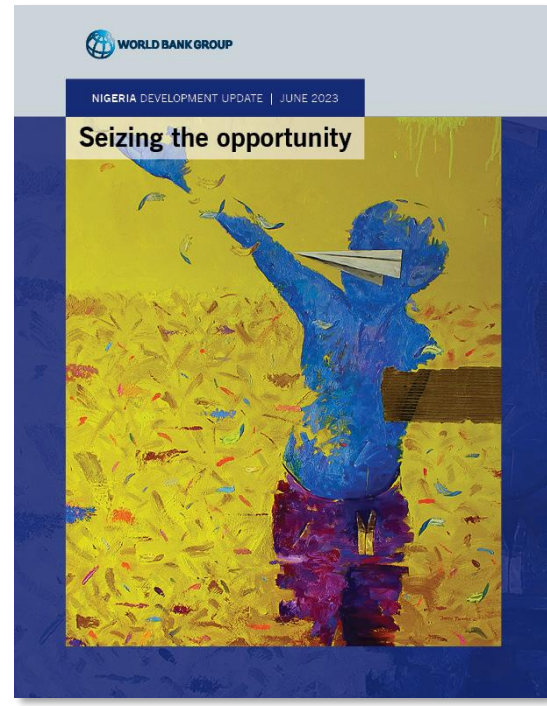
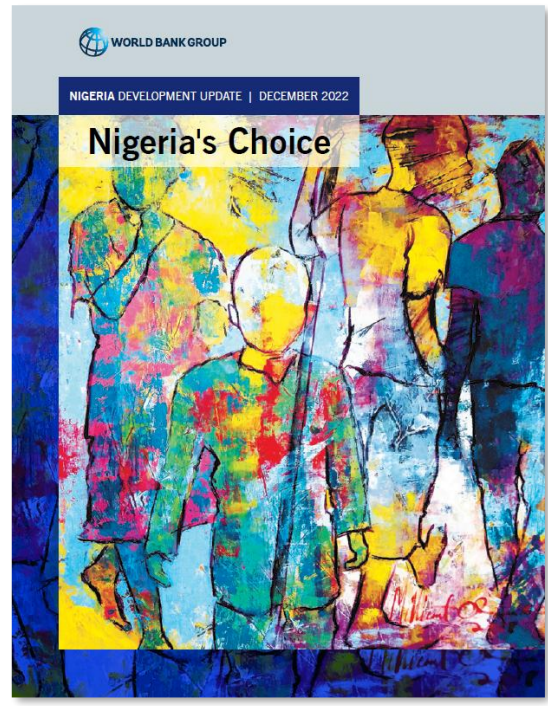
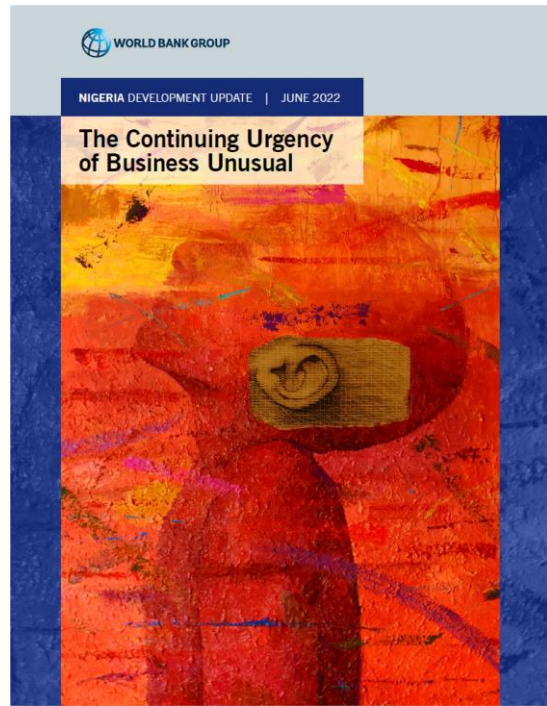
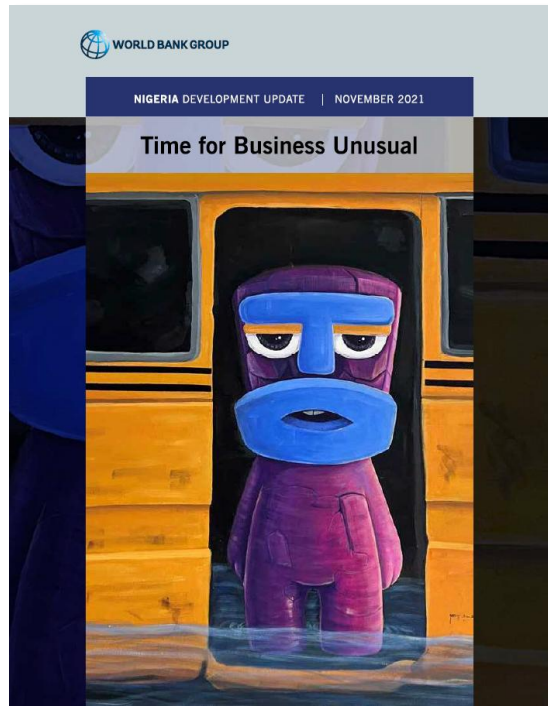
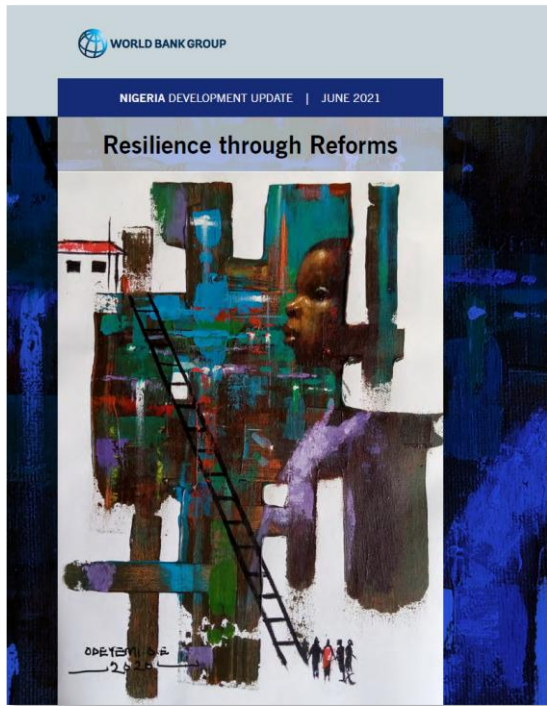


Sources: Nigeria Demographic and Health Survey (NDHS) 2023–24; Multiple Indicator Cluster Survey (MICS) 2021

Policy Recommendations to Improve Early Childhood Development

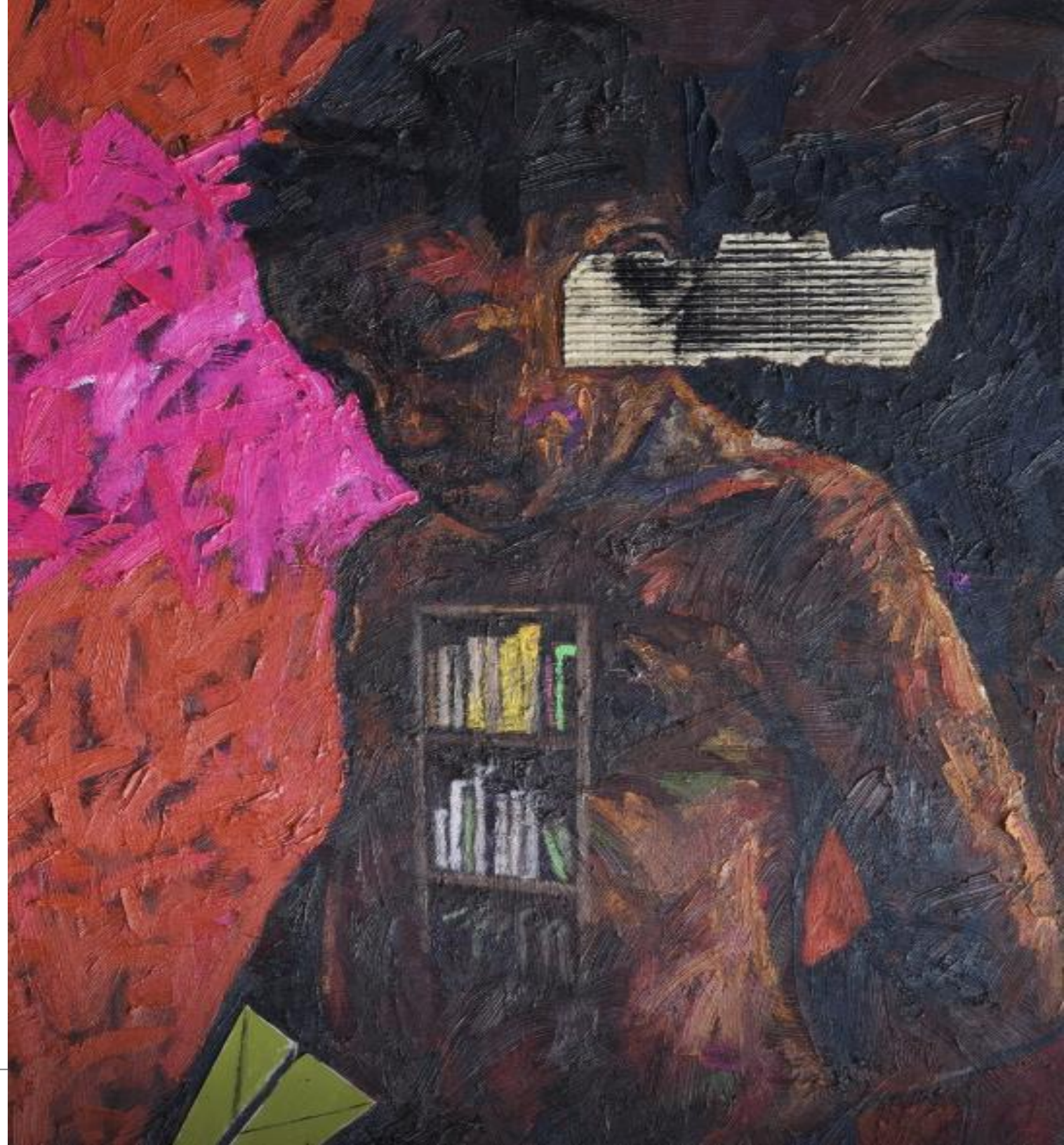
Build on ongoing sector efforts while strengthening coordination, financing, delivery, and accountability

GOAL	RECOMMENDATIONS	
WHAT — Define and deliver core ECD services		Establish a minimum integrated service floor (pregnancy → age 5): foundation of an effective ECD strategy
		Adopt & operationalize shared, child-centered outcomes
WHO — Clarify institutional roles & strengthen accountability		Align policies across sectors and tiers of government
		Clarify roles and strengthen accountability mechanisms
HOW — Strengthen expenditure traceability & improve sequencing of investments		Align incentives and fiscal frameworks with measurable child outcomes
		Establish clear, comparable performance measures
		Integrate ECD in MTEFs and budgets via links to priority service lines and functional tagging
		Mobilize private sector participation to expand delivery, foster innovation, and create jobs

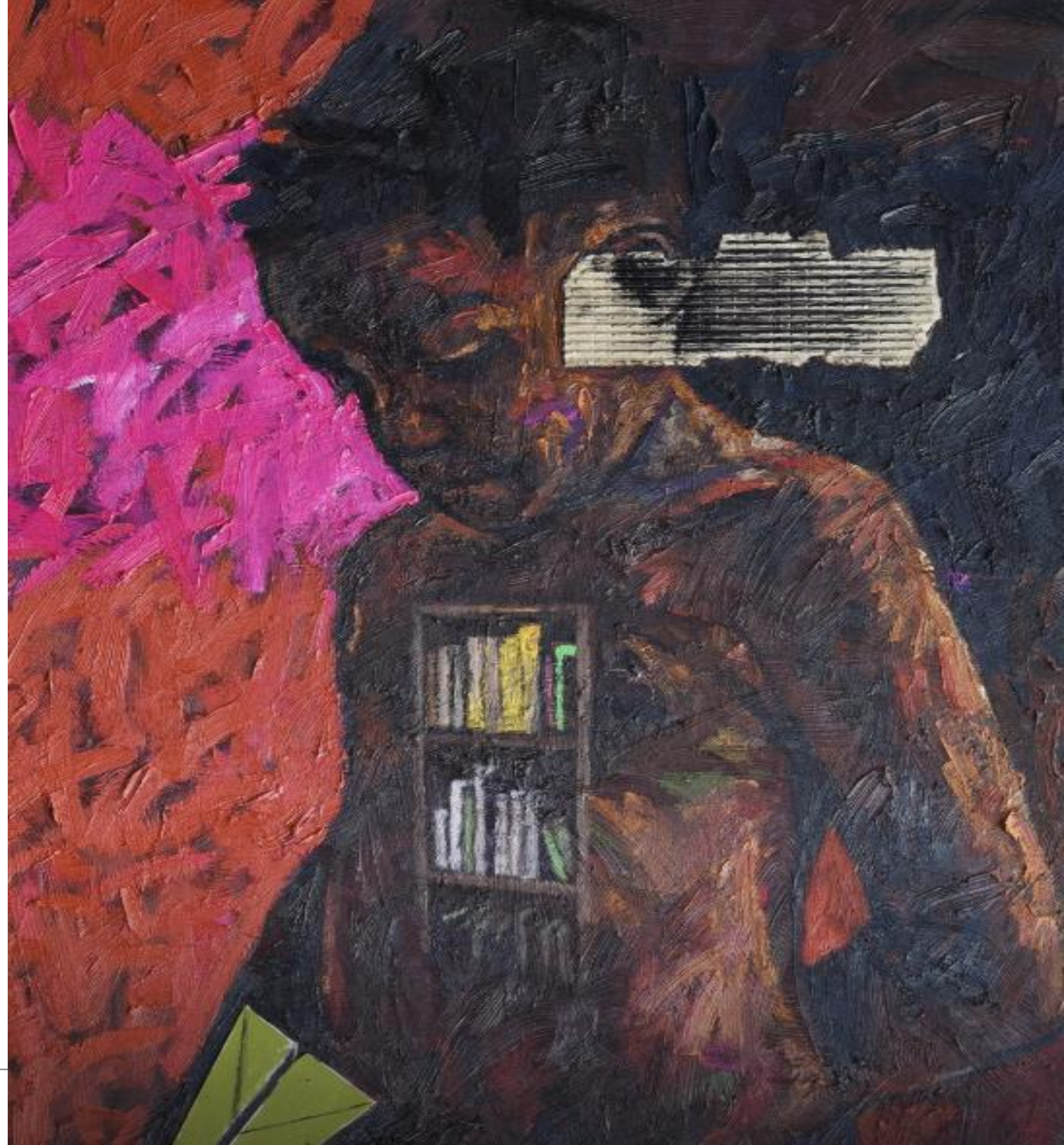


This and previous editions of the NDU are available at:
worldbank.org/nigeria

THANK YOU



ANNEX



Gross revenues collected at FAAC kept rising, despite lower oil prices

FAAC revenues rose from 7.9% of GDP in 2024 to 9.5% in 2025, driven by improved tax administration. Yet deductions remained sizeable

FAAC revenue flows: gross revenues, deductions, distributed revenues		N bln			% GDP		
		2023	2024	2025	2023	2024	2025
Total gross revenues by Agency (A)	Revenue type	17,078	29,451	37,443	5.4	7.9	8.5
Oil and gas revenues		7,022	13,044	14,574	2.2	3.5	3.3
NUPRC	Oil and gas royalties	2,231	5,818	7,552	0.7	1.6	1.7
NUPRC	Gas flaring penalties	136	391	611	0.0	0.1	0.1
NUPRC	Rentals	9	19	38	0.0	0.0	0.0
NUPRC	Miscellaneous	16	35	46	0.0	0.0	0.0
NNPCL	NNPCL PSC Profit	1,160	695	1,512	0.4	0.2	0.3
NNPCL	Interim dividends from NNPCL	568	325	0	0.2	0.1	0.0
NRS	Petroleum Royalties	2,902	5,761	4,815	0.9	1.5	1.1
Non oil and gas revenues		10,055	16,407	22,869	3	4	5
NRS	CIT, SDT, and CGT	4,435	6,330	10,221	1.4	1.7	2.3
NRS	VAT	3,639	6,722	8,607	1.2	1.8	1.9
NCS	Custom revenues	1,981	3,355	4,041	0.6	0.9	0.9
Total deductions (B)	Deduction type	6,218	13,380	14,930	2.0	3.6	3.4
Savings (non-oil excess account)		1,201	650	2,688	0.4	0.2	0.6
Funding for security	Intervention program and allowances	300	1,200	1,253	0.1	0.3	0.3
Transfers to MDAs	Cost of collection and refunds (FIRS, NCS, MNDPRA, NUPRC, NEDC, FEF, RAMFAC, NNPCL, FEF, NSIA)	1,877	2,629	4,179	0.6	0.7	0.9
Presidential metering initiative		0	700	0	0.0	0.2	0.0
Interventions for states	Infrastructure and security	0	1,315	1,150	0.0	0.4	0.3
Refunds to subnationals	NLNG, ECA, JVC, 13% derivation, etc.	1,523	6,869	4,568	0.5	1.8	1.0
Renewed Hope Ward Development Programme		0	0	900	0.0	0.0	0.2
Other deductions	Refunds on Priority Projects, recovery of WHT taxes to states, etc.	1,316	17	192	0.4	0.0	0.0
Distributed revenues (C=A-B)		10,860	16,071	22,513	3.5	4.3	5.1

Source: FAAC and World Bank

Note: * The MDAs/GOEs that received FAAC funding are NRS, NCS, NMDPRA, NUPRC, NEDC, FEF, RAMFAC, and NSIA

Higher revenues have helped Nigeria absorb the increase in spending

Spending in 2025 increased due to (i) a higher wage bill, following the minimum wage adjustment, (ii) rising interest payments at the federal level, and (iii) an increase in capital spending by subnational governments

Spending category	N billion					% GDP				
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
Federation (A=B+C)	19,960	23,197	29,070	43,089	55,710	8.2	8.5	9.3	11.6	12.6
Personnel cost	6,347	6,866	8,003	10,399	14,538	2.6	2.5	2.5	2.8	3.3
Overhead cost	1,628	1,975	2,319	2,692	3,664	0.7	0.7	0.7	0.7	0.8
Interest expense	4,520	6,042	8,014	8,805	11,485	1.9	2.2	2.6	2.4	2.6
Other recurrent ¹	2,071	2,144	2,527	6,751	6,872	0.9	0.8	0.8	1.8	1.6
Capital expenditure	5,394	6,170	8,207	14,443	19,151	2.2	2.2	2.6	3.9	4.3
Federal government (B)	12,170	14,644	18,829	25,224	29,272	5.0	5.3	6.0	6.8	6.6
Personnel cost	3,502	3,896	4,404	5,218	7,607	1.4	1.4	1.4	1.4	1.7
Overhead cost	405	423	422	668	544	0.2	0.2	0.1	0.2	0.1
Interest expense	4,221	5,657	7,626	8,368	11,092	1.7	2.1	2.4	2.2	2.5
Other recurrent ¹	1,519	1,535	1,891	5,976	5,574	0.6	0.6	0.6	1.6	1.3
Capital expenditure	2,522	3,134	4,486	4,994	4,455	1.0	1.1	1.4	1.3	1.0
Subnational governments² (C)	7,790	8,553	10,241	17,865	26,438	3.2	3.1	3.3	4.8	6.0
Personnel cost	2,845	2,970	3,598	5,181	6,931	1.2	1.1	1.1	1.4	1.6
Overhead cost	1,223	1,552	1,897	2,023	3,120	0.5	0.6	0.6	0.5	0.7
Interest expense	299	386	388	436	393	0.1	0.1	0.1	0.1	0.1
Other recurrent ¹	552	609	637	775	1,299	0.2	0.2	0.2	0.2	0.3
Capital expenditure	2,872	3,036	3,721	9,449	14,696	1.2	1.1	1.2	2.5	3.3

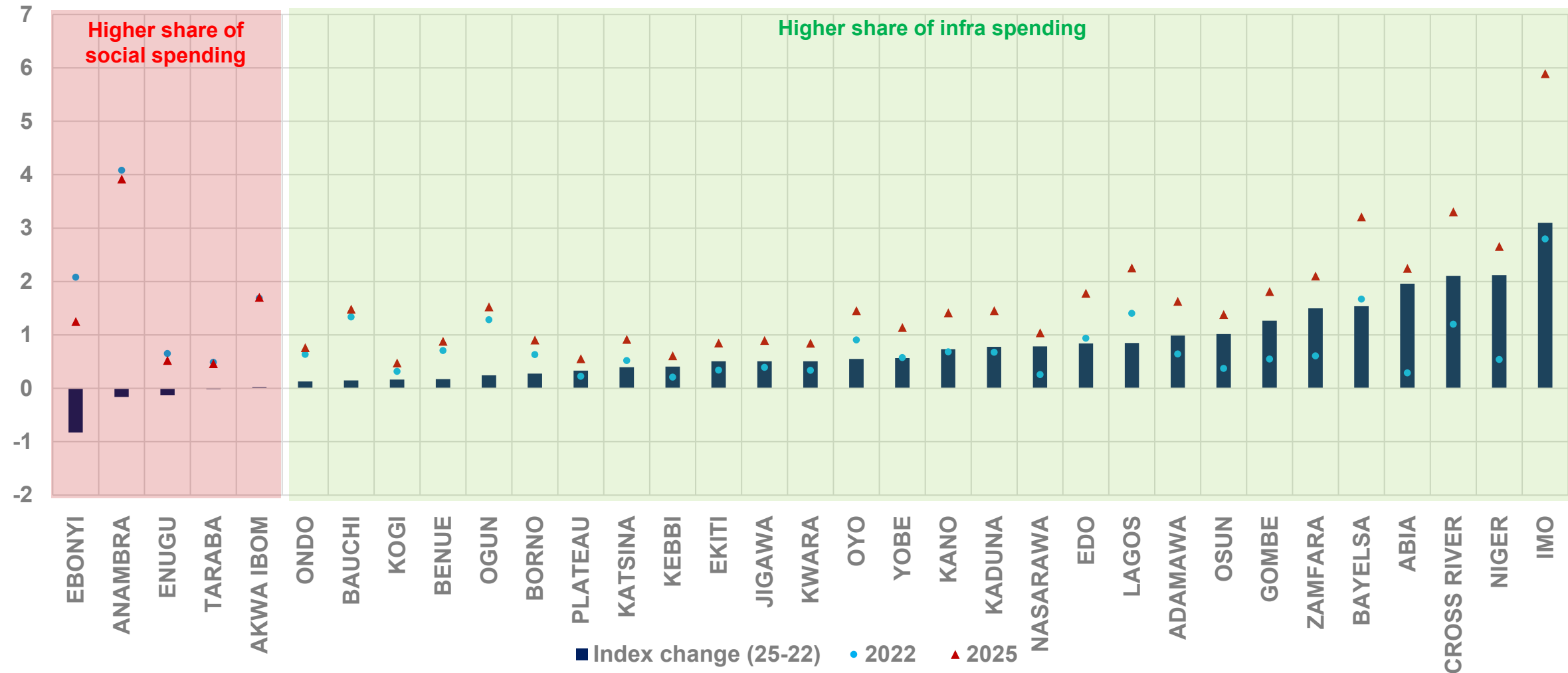
Source: OAGF, FAAC, State AFS and BIRS, NBS, World Bank.

Notes: (1) Other spending include FAAC deductions such as security expenditures, the Renewed Hope Ward Development Programme, the Presidential Metering Initiative, as well as spending from service-wide votes, and the Presidential Amnesty Programme, among others

(2) Subnational governments include SGs+LGs+FCT

Most states have spent proportionally more on infrastructure than on social sectors

Ratio between infrastructure/social spending per state: 2025 vs 2022



Source: State BIRs and World Bank.

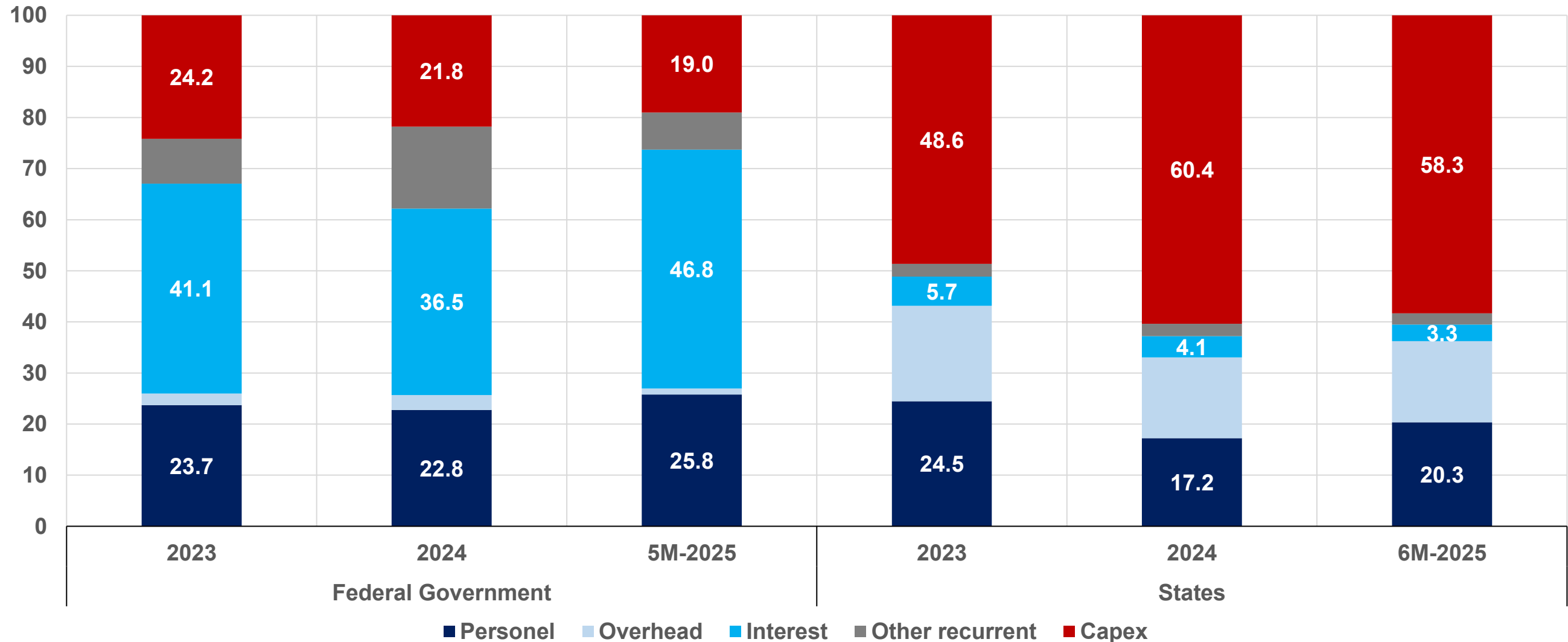
Notes: (1) The state data excludes Delta, Rivers, and Sokoto because the quarterly BIRs are not available for all quarters since Q1-2022. (2)

Infrastructure spending is the sum of spending on transport, energy, mining, and construction, while social spending is the sum of spending on health, education, and social protection

The nationwide fiscal position masks a growing fiscal dichotomy

FGN is affected by rigid costs (interest and wages >70%), shrinking its capital space; States, by contrast, devote nearly 60% of spending to capital investment

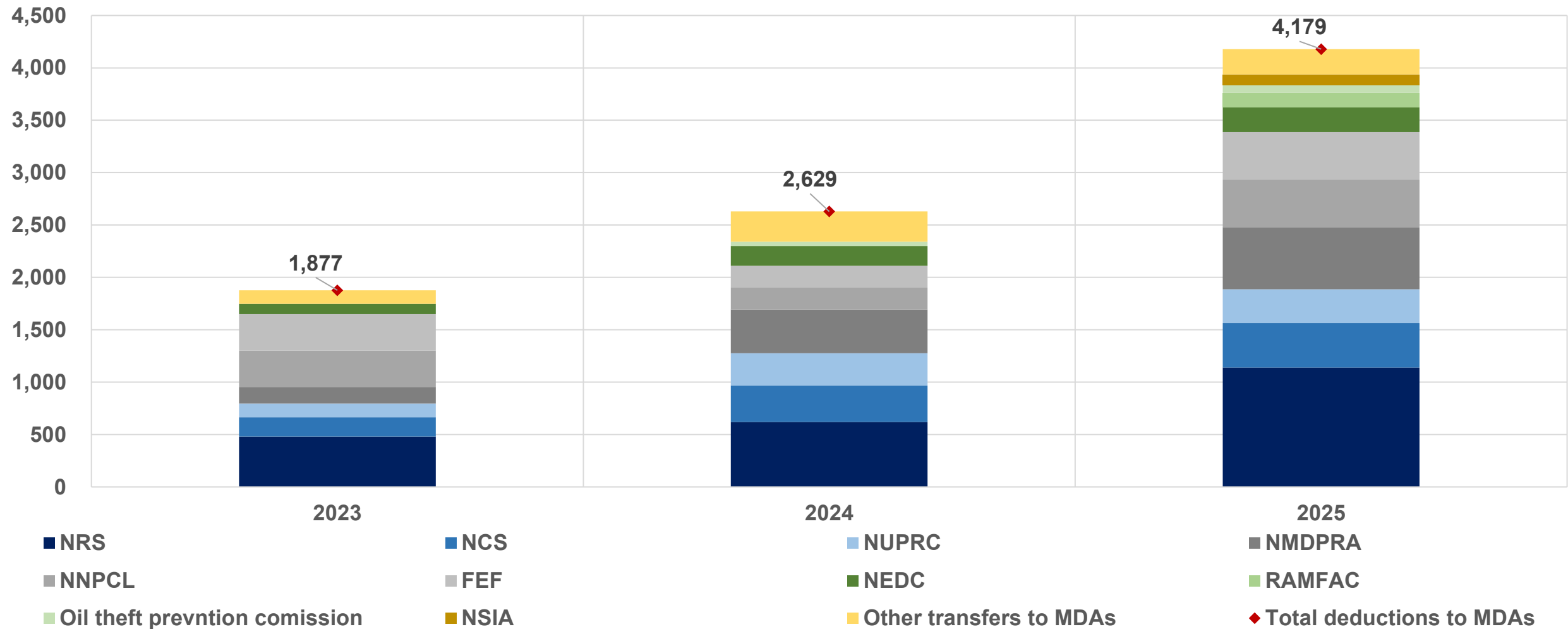
Decomposition of spending: FGN vs States (%)



Source: Source: OAGF, BIRs, DMO, World Bank.

FAAC deductions benefitting select MDAs more than doubled between 2023 and 2025

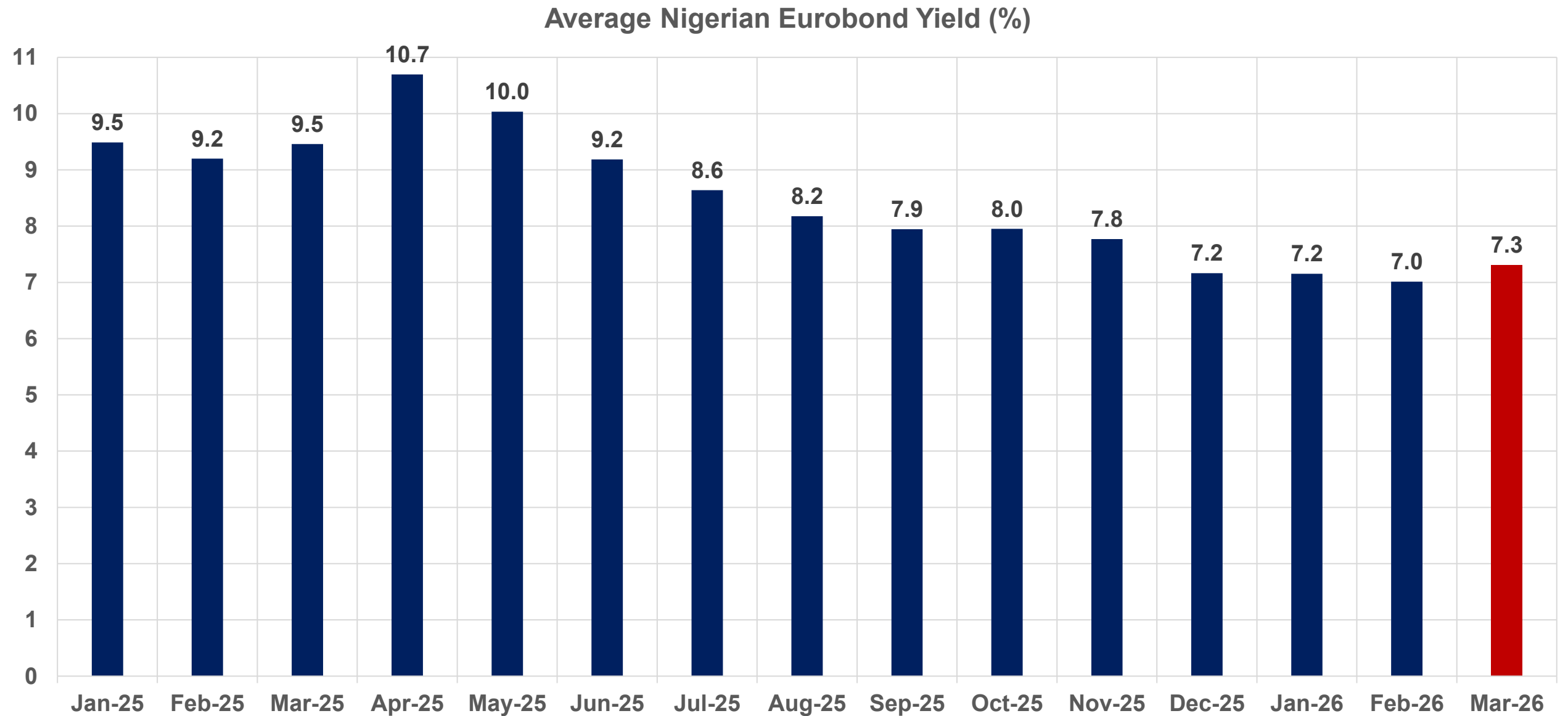
First line charge deductions from FAAC to select MDAs



Source: BOF; OAGF monthly fiscal reports, FAAC documents, Budget Implementation Reports (BIRs)

Note: First line charges include cost of collection of FIRS, NUPRC, NCS as well as refunds to FIRS, NCS, NMDPRA and NUPRC, and the statutory deduction for NEDC

The Middle East conflict has modestly reversed the earlier decline in external financing costs, though they remain significantly lower than a year ago



Source: DMO