2026 Budget Procurement Red Flag Report

Prepared by: Advocates for the Promotion of Transparent Procurement Initiatives (APTPI)
Status: Initial Oversight Briefing (Fiscal Year 2026)
Context: ₦68.3 trillion Budget | ₦32.2 trillion Capital | ₦23.85 trillion Deficit

Executive Summary

Nigeria's 2026 budget represents a historic fiscal expansion, but also introduces unprecedented procurement risks driven by:

- Rapid budget growth (₦21.8tn in 2023 → ₦68.3tn in 2026)
- Record capital expenditure (₦32.2tn)
- High deficit pressure (₦23.85tn ≈ ~70% of revenue)
- Overlapping fiscal cycles (2025 extended into 2026)

Core Finding:

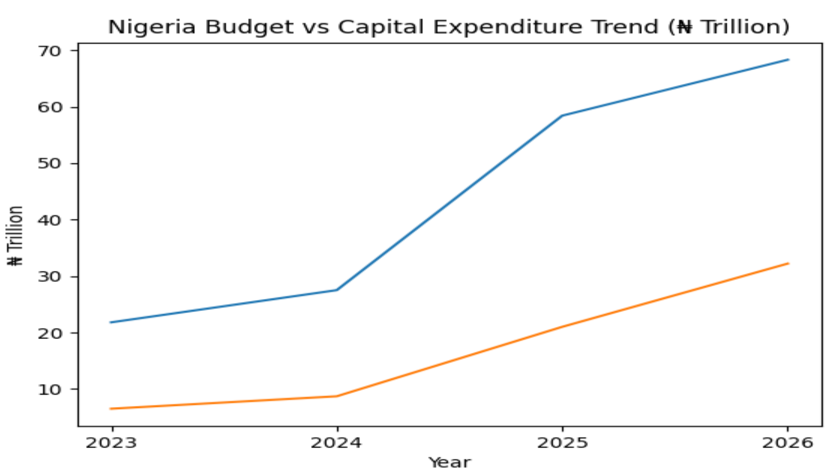
The 2026 budget shifts procurement risk from *isolated leakages* to systemic exposure, where scale, opacity, and urgency combine to weaken controls. The need for robust oversight, open contracting, and value-for-money mechanisms is critical.

Budget Trend Analysis (2023–2026)

Key Insight

Nigeria's budget has **tripled in 3 years**, but governance systems have not scaled proportionately.

Budget Trends (2023–2026)

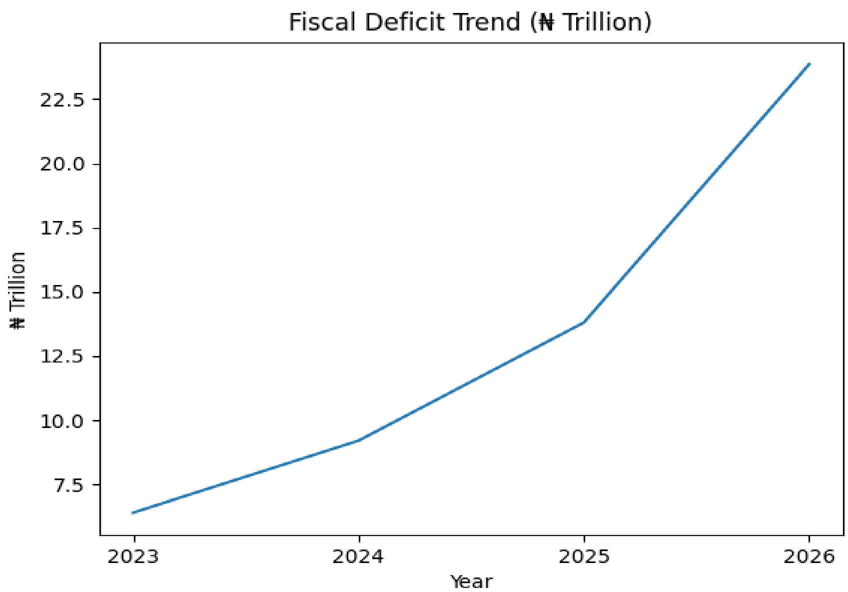


Observations

- Capital expenditure grew disproportionately (₦6.5tn → ₦32.2tn)
- Indicates **increased procurement activity volume**, not necessarily improved delivery capacity
- Historical absorption capacity of MDAs remains weak (<60% execution in many sectors)

Deficit & Procurement Risk Linkage

Deficit Trend (2023 – 2026)



Analysis

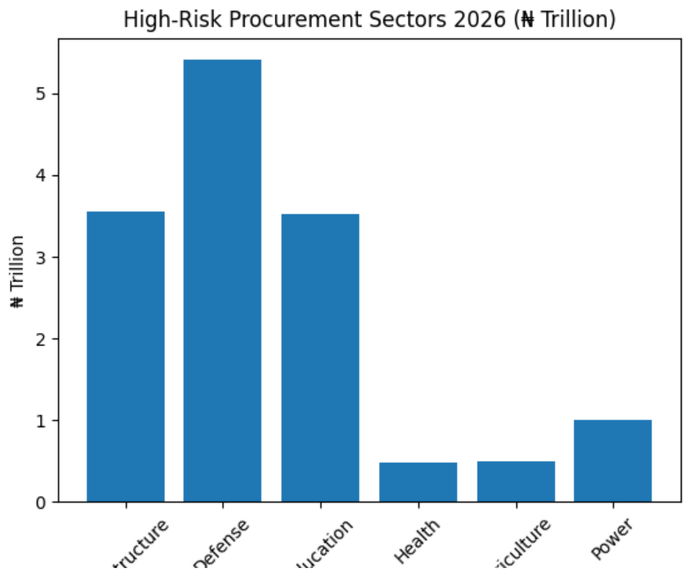
Year	Deficit (₦ tn)	Procurement Risk Implication
2023	6.4	Moderate borrowing pressure
2024	9.2	Increased project financing strain
2025	13.8	Rising emergency procurement
2026	23.85	**Severe risk of non-competitive contracting**

Expert Insight

High deficits typically lead to:

- Accelerated disbursement pressures
- Politically driven project prioritization
- Weak due diligence
- Increased contractor financing risks

Sectoral Procurement Risk Exposure (2026)



Sector Risk Distribution

Top High-Risk Sectors

1. **Works/Infrastructure (₦3.56tn)** – ghost project risk
2. **Power (~₦1tn)** – mandate creep
3. **Health/Education (₦482.7b)(₦3.52tn)** – fragmentation risk
4. **Agriculture (~₦505bn)** – input inflation
5. **Defense (₦5.41tn)** – opacity risk

1. Works & Infrastructure (The "Ghost Project" Risk)

Allocation: ~₦3.56 Trillion
Primary Red Flag: Approximately ₦1.3 trillion is allocated to "unspecified projects" across the six geopolitical zones without granular breakdown (weak linkage to geospatial or needs-based planning).

Comparison

- 2023–2024 budgets had <15% vague allocations
- 2026 shows >35% opacity in some sectors

Implication

- Enables "cash-backed budgeting" without deliverables

The Risk

Without specific coordinates or project titles, funds are susceptible to being drawn for "interventions" that lack competitive bidding or physical sites.
Sector Specific
19 major road projects (valued at ₦36 billion) lack descriptions distinguishing between "new construction" and "rehabilitation," creating an opening for contractors to claim full-rate payments for minor repair work.

2. Power & Energy (The "Mandate Creep" Risk)
Allocation: ~₦1.0+ Trillion
Primary Red Flag: Procurement of non-core items, such as **₦1.2 billion** for "community compensation" and solar installations assigned to training institutes (NPTI) rather than distribution agencies.

Global Benchmark Violation

- OECD procurement principle: *"Functional competence must match contracting authority"*

The Risk
When agencies implement projects outside their statutory mandate (e.g., a training institute building physical infrastructure), they lack the technical oversight to supervise contractors, leading to substandard delivery, inflated costs and contract opportunism..

Legacy Debt
Inclusion of Zungeru Power plant compensations within capital expenditure creates "blended accounts" that are difficult to audit.

3. Health & Education (The "Procurement Fragmentation" Risk)
Allocation: Health (₦482.7b) | Education (₦3.52tn)
Primary Red Flag: Massive fragmentation of small-scale procurement (supplies of desks, consumables, and "empowerment kits") instead of systemic infrastructure investment.

Comparison with Previous Years

- 2024: Moderate fragmentation
- 2025: Increased due to cash rationing
- 2026: Institutionalized fragmentation pattern

The Risk

"Contract Splitting" is a major risk here. By breaking down large needs into smaller units below the ₦50 million threshold, MDAs bypass the Bureau of Public Procurement (BPP) "Certificate of No Objection" requirement. Explosion of micro-contracts → low accountability

Implementation Gap
Historically, these sectors suffer from late releases (as seen in the 2025 cycle), leading to "Emergency Procurement" rushes in Q4 which are notoriously opaque.

4. Agriculture & Food Security (The "Input Inflation & Commodity Arbitrage " Risk)
Allocation: ~₦505 Billion (Capital Red Flags)
Primary Red Flag: Bulk procurement of fertilizers and "mechanization inputs" with no publicly accessible registry of beneficiaries or distribution costs. No benchmark pricing for fertilizers, tractors

Global Best Practice Gap
No use of:
- Framework agreements
- Commodity price indices
- Bulk procurement optimization

The Risk
Over-invoicing at the point of bulk purchase and "middleman markups." APTPI has flagged a lack of price-matching with global commodity benchmarks for tractor and fertilizer imports. 20–40% price inflation typical in past Nigerian audits

Transparency Gap
Project descriptions often use generic terms like "Provision of Agricultural Inputs" without specifying quantities, making it impossible to verify "Value for Money."

5. Defense & Security (The "National Security" Veil)
Allocation: ₦5.41 Trillion

Primary Red Flag: The continued use of "Security Exceptions" (Non-sensitive procurements classified as “security”)to bypass the Open Competitive Bidding process for non-lethal equipment (uniforms, office tech, vehicles).

Comparison

- Persistent since 2015
- Scale significantly higher in 2026

The Risk

Under the guise of national security, standard administrative procurement is shielded from public scrutiny, leading to significantly higher unit costs compared to market rates.

Implication:

- Shielding of routine procurement from scrutiny
- High unit cost inflation

Cross-Sectoral "Super-Red Flag": The 2025/2026 Overlap

The National Assembly’s extension of the 2025 Budget implementation to June 30, 2026, represents the single greatest procurement risk. MDAs are currently managing two distinct capital portfolios. This "Double Budgeting" allows contractors to potentially bill the 2026 budget for work already funded under the 2025 cycle, or vice versa, creating a "liquid" accounting environment ripe for fund diversion.

Why this is the Most Critical Risk

- Dual capital budgets running simultaneously
- No integrated tracking system
- Weak reconciliation framework

Procurement Impact

- Double payments for same projects
- Contract duplication
- Revalidation fraud

Historical Parallel:

- Similar issues observed during:
  - 2010–2011 budget delays
  - COVID-era emergency procurement (2020)

Comparative Governance Assessment

Indicator	2023	2024	2025	2026
Budget Size	Low	Medium	High	**Very High**
Transparency	Moderate	Moderate	Weak	**Weakest**
Procurement Control	Moderate	Moderate	Weak	**Highly Stressed**
Capital Monitoring Capacity	Low	Low	Moderate	**Insufficient**

Key Systemic Drivers of Procurement Risk

1. Scale without systems
2. Political pressure vs technical planning
3. Weak enforcement of procurement law
4. Limited open data adoption (non-OCDS compliant)
5. Cash flow uncertainty due to deficit financing

Nigerian Revenue/ Budget vs Dangote projected Revenue

According to Prof. Ishaku P. Abner, Ph.D. Nigeria's fiscal landscape is defined by a paradoxical ₦68.32 trillion budget against a $30 billion (~₦42 trillion) revenue target for the Dangote Group. The Dangote's projected revenue, driven by the Lekki refinery, exceeds Nigeria's total projected government revenue, which is approximately ₦34.33 trillion ($24.5 billion) for the year 2026.

Nigeria Revenue & Budget Outlook:

Total Budget Expenditure: ₦68.32 trillion (passed, with ₦32.2 trillion allocated for capital expenditure).

Projected Federal Government Revenue: ~₦34.33 trillion (approx. $24.5 billion).

Borrowing Plan: ~₦29.2 trillion, with debt service estimated around ₦15.5–15.9 trillion.

Oil Revenue Projection: ~₦60.97 trillion (based on $64.85/barrel), aiming for realism.

Dangote Group 2026 Projections & Performance:

Group Revenue Target: $30 billion, driven by the full operational capacity of the Lekki Refinery.

Refinery Operations: The refinery was operating at over 99% capacity in April 2026, dominating the fuel supply chain while state refineries remain shut.

Dangote Cement Performance: Reported revenue of ₦1.19 trillion in Q1 2026, a 20.4% increase from Q1 2025.

Let us look at the Key Comparison (2026)

Dangote Group's revenue ($30 billion) is projected to surpass the Nigerian Federal Government's retained revenue ($24.5 billion).

Dangote Cement alone has seen its profit rise to ₦421.1 billion in Q1 2026, highlighting the strength of its market position compared to national economic challenges.

It is worthy to NOTE that:

All 2026 figures are projections and early-year reports based on data available in May 2026, with an assumed exchange rate of roughly ₦1,400 to $1, as noted in many of the source materials I used.

Strategic Recommendations (APTPI Advocacy Focus)
Immediate (0–6 Months)

- Mandatory Project-Level Disclosure Portal
- Freeze on unidentified capital projects
- Implement a Real-Time Open Contracting Data Standard (OCDS) for the ₦5.71 trillion in "Legacy Obligations."
- Independent audit of 2025–2026 overlap
- Prohibit any "Emergency Procurement" for projects that were already captured in the 2025/2026 transition window.

Medium-Term (6–18 Months)

- Strengthen National Procurement Price Intelligence Unit
- Centralized Contract Registry

Long-Term Structural Reforms

- Link budget releases to procurement readiness certification
- Strengthen BPP enforcement powers
- Introduce real-time citizen monitoring platforms

Conclusion

The 2026 budget is not just larger—it is structurally more vulnerable.
The central issue is no longer whether procurement risks exist, but whether Nigeria's governance systems can withstand the scale, speed, and opacity of current fiscal operations.

APTPI's role is therefore critical:

- To shift procurement from process compliance → outcome accountability
- To ensure that ₦32.2 trillion in capital spending translates into tangible national development

"If it isn't transparent, it isn't procurement—it's a payout."