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National Budgeting as a Critical Tool for Reducing Poverty and Inequalities Amidst Energy Transition

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1. INTRODUCTION

Poverty and inequalities, components of the sustainable development goals (SDG), are widespread plagues affecting developing economies especially Nigeria. In order to reduce poverty, inequalities and drive sustainable development, it is important to examine the national budget of the country. Nigeria's national budget 2025 is ₦54.99 trillion - a record increase from the previous year of 99.96% higher than the 2024 appropriation bill of ₦27.5 trillion (Yilwatda, 2025). The budget is unfolding against rising inflation and debt burdens with about 63% of Nigerians are experiencing multidimensional poverty as the statistics shows in Table 1 (NBS, 2022). The level of poverty in Nigeria increased the numbers of out of school children as depicted in the Table 2. Notably, governments (at different levels) have reportedly spent billions of US dollars on several palliative programmes and poverty reduction interventions. The success of such programmes been drowned by the extent of the problem.

Table 1: 2022 Multidimensional Poverty Index (MPI)

Demographic Factor	Group of the Demography	Percentage in Multi-dimensional Poverty	Remark
Settlement	Rural	72.0%	Rural areas experience significantly higher poverty rates, (Need for rural-focused interventions)
	Urban	42.0%	
Geography	North	65.0%	Poverty is heavily concentrated in the Northern regions, with significant disparities across states.
	South	35.0%	
Age (0-17 years)	Child	67.5%	Children constitute 51% of poor Nigerians. Rural and Northern regions more vulnerable

Source: National Bureau of Statistics (NBS), (2022)

Like many developing economies, Nigeria seeks to navigate the complexities of the global energy transition while confronting persistent socio-economic challenges, especially poverty and widening inequalities. The shift from fossil fuels to renewable energy presents multiple challenges: managing economic volatility due to declining oil revenues while ensuring that the transition fosters inclusive growth rather than exacerbating inequalities. Furthermore, declining crude oil proceeds affect the exchange rate of the Naira relative to the US Dollar, which have had far-reaching implications for businesses and households, particularly for low-income households.

Apparently, budget innovation is now an urgent need, as the government must balance debt servicing obligations with critical investments in infrastructure, healthcare, education, and social welfare. Otherwise, the potential dangers of increasing poverty and inequalities (like insecurity, unemployment and youth migration) could forestall Nigeria's sustainable development. Within this context of energy transition, it is imperative to explore how national budgeting can serve as a strategic tool to reduce poverty and inequalities in Nigeria (The Coalition, 2023).

A strong correlation also exists between poverty and energy access. Nigeria's energy landscape remains challenged by severe deficits as energy poverty undermines business growth, limits educational attainment, and weakens healthcare systems, aggravating other dimensions of deprivation. Moreso, the disparities in energy consumption reflect the regional distribution of poverty and highlight the critical importance of equitable energy distribution as a tool for socio-economic transformation. These realities highlight the urgent need for national budgeting strategies that directly target poverty and inequality (Ministry of Humanitarian Affairs and Poverty Reduction,2025).

2. POLICY ISSUES

Table 2: Geographic Distribution of Out-of-School Children Due to Poverty

Region	Percentage	No of Children (Millions)	Poverty Rate
North-West	35%	2.835	65%
North-East	25%	2.025	60%
North-Central	15%	1.215	45%
South-West	10%	0.81	30%
South-East	8%	0.648	25%
South-South	7%	0.567	20%

Source: Ministry of Humanitarian Affairs and Poverty Reduction (2025)

Nigeria's Energy Transition Plan (ETP) aligns its national budgeting with SDG targets: ensuring universal energy access by 2030 and achieving net-zero emissions by 2060. The 2025 national budget shows ₦300 billion allocated to renewable energy infrastructure, focusing on solar, wind, and hydroelectric projects. An additional ₦150 billion is dedicated to improving energy access for five million low-income households through solar home systems and mini-grid solutions. A further ₦100 billion is committed to green job creation by training and employing 250,000 Nigerians in renewable energy technologies. These investments are designed to reduce poverty and stimulate economic growth, particularly among youth and marginalised populations. Ironically, however, the latter aspirations could be constrained by declining government revenues due to the double whammy of decreasing demand for oil and gas globally, as well as declining oil price.

Despite Nigeria's ambitious plans and budgetary aspirations, policy inconsistency remains a critical challenge. The lack of fiscal coordination between federal and state governments often leads to misalignment of priorities and multiplicity of taxation that erode public trust and frustrate domestic resource mobilization (Li, 2023). Moreover, raising taxes to fund the transition could worsen poverty levels. A budgeting framework that aligns poverty reduction and energy policy across different levels of government is essential to streamline implementation and maintain momentum toward national development goals.

3. DISCUSSION

Nigeria's economic structure is historically dependent on fossil fuels, particularly crude oil, and vulnerable to global market shocks and environmental policies. This dependency also presents a significant opportunity to reimagine growth through the lens of energy transition. However, Nigeria must define her basic energy needs and prioritise meeting them within the income level of the populace. For instance, a $1,000 solar panel might only fetch $5/month in household willingness and ability to pay, but this is unsustainable. So, examining how the budget can fund renewable energy initiatives, create sustainable jobs, and ensure fair access to energy resources amidst rising inflation, higher interest rates, and reduced capital flows is urgent as can be explained in the Figure 1 depicting the gradual energy transitioning. These challenges are interlinked: poverty, energy access, and fiscal constraints. One cannot be addressed without confronting others. While the West can say "no more oil," African countries still struggle to power their homes. Over 200 million people in Nigeria still need electricity.

Figure 1: Policies synergies for ending poverty, reducing inequalities and ensuring energy transition
Source: Adapted from OECD, 2024

4. RECOMMENDATIONS

To effectively leverage national budgeting as a catalyst sustainable development, there is a need for pragmatic strategies that link budget allocations to measurable impact. Fundamentally, the national budget should prioritise reduction of inequality and poverty, including energy poverty through investments in indigenous renewable energy technologies. Equally important is the commitment to fostering green job creation. Notably, the 2025 energy budget allocated ₦100 billion to train 250,000 individuals in renewable energy technologies. Integrating domestic industries into the renewable energy value chain reduces import dependency and creates employment. Supporting the local manufacturing of solar panels, inverters, and batteries can stimulate industrial growth, encourage innovation, retain economic value within the country and increase non-oil export proceeds.

It will be effective to scale up existing poverty alleviation programs, but this policy recommends that Nigeria's budgeting priorities should be aimed at wealth creation. Digital inclusion must also be prioritised in order to ensure long-term impact. Continued investment in digital skills training and innovation hubs will prepare Nigeria's workforce for future opportunities and embed resilience in the country's human capital development strategy. As such, institutions and research centres should be resourced to provide data, develop solutions, and adequately monitor budget implementation. Nigeria's path to an inclusive energy transition and poverty reduction is hinged on strong institutional frameworks, and a clear commitment to collaboration.

5. CONCLUSION

In conclusion, the global energy transition portends a national budgeting trilemma for Nigeria: (a) crude oil revenue will potentially decline, thereby (b) limiting government's capacity to undertake energy transition and (c) increasing poverty and inequalities. This trilemma has to be addressed innovatively through the budgeting process for wealth creation. Governments must ensure fiscal discipline, spending only within their means. A key strategy is to align expenditure with actual income and adopt prudent budget management practices that can respond flexibly to environmental and economic shifts. Emphasis should be placed on the necessity of inter-sectoral connections in budgeting to impact energy transition, which should be viewed as a form of economic diversification. It presents an opportunity to revamp dormant sectors to drive inclusive growth and wealth creation.

Amidst the energy transition, we have highlighted the extent to which National budgeting is constrained by declining oil revenue and thereby widening the inequalities. Although the budget has provided for Cash Transfers, Social Protection, Poverty Alleviation, and Inequality Reduction Programs, governments could eventually lack resources to fund them. Nigerians should be given knowledge and training in energy-related technologies and innovations to enable meaningful participation in the transition. Rural electrification initiatives by Distribution Companies (DISCOs), such as solar-powered lighting and appliances, are already transforming lives. Additionally, energy transition should be driven by research, evidence, and practical knowledge aimed at reducing inequality.

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