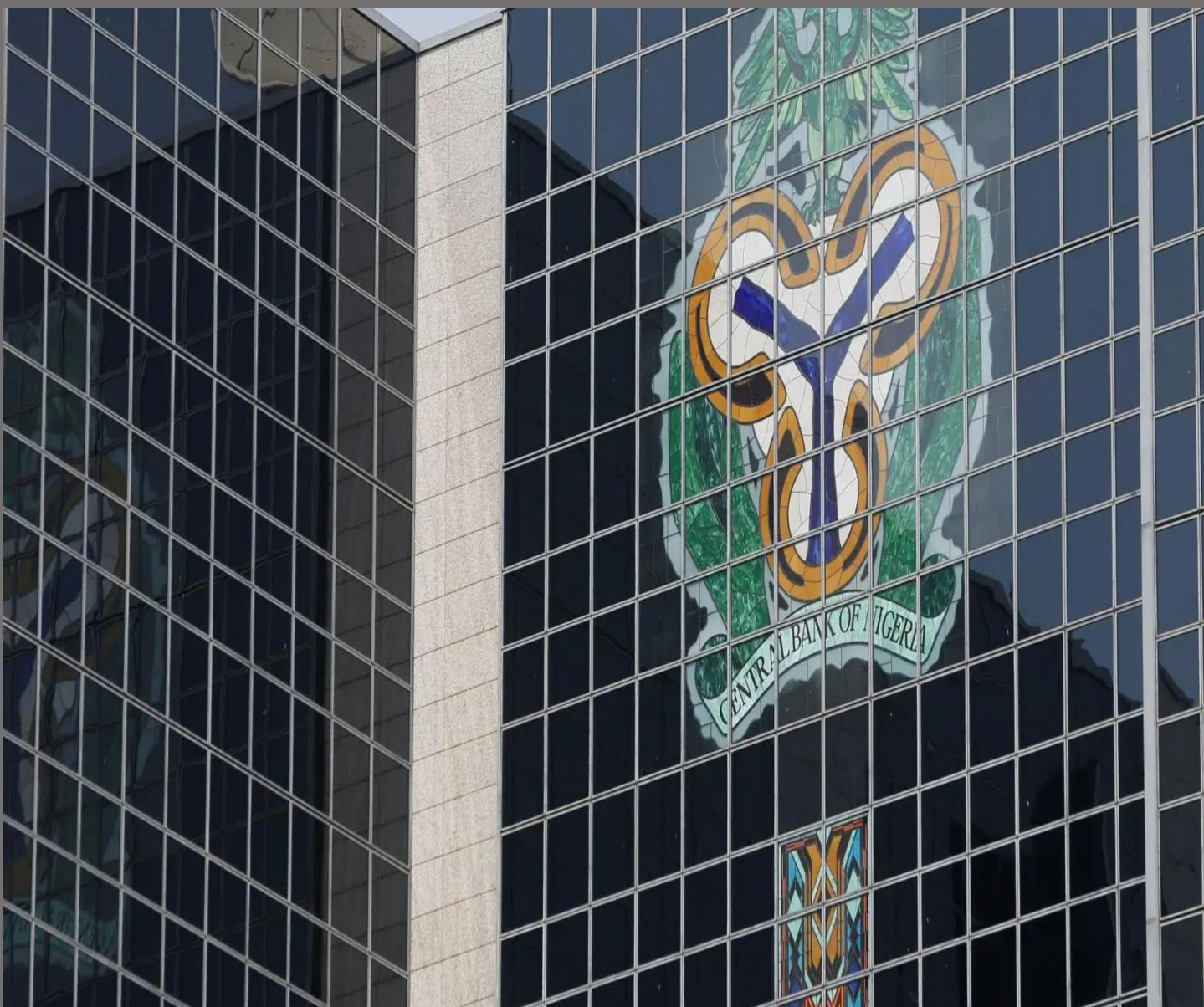




WAYS AND MEANS: HOW A SHORT-TERM FINANCING TOOL RESHAPED NIGERIA'S ECONOMY



OCTOBER 2026

REPORT SUMMARY

Nigeria's widening gap between revenue and spending pushed the government to borrow more and, when other sources fell short, turn to CBN financing through Ways and Means. The balance ballooned from ₦856.3 billion in 2015 to ₦23.5 trillion by 2022, driven by falling oil revenue, fiscal deficits, COVID-19 and rising subsidy costs.

In 2023, the Tinubu administration securitised the accumulated balance, cutting Ways and Means to ₦8.2 trillion. But the debt did not disappear; it simply changed its address and moved into official public debt.

The effects went beyond government accounts. More naira added liquidity and inflationary pressure, while the naira weakened sharply. Still, Ways and Means was not the whole story; FX reforms, oil earnings, dollar shortages, capital flows and CBN intervention also mattered.

Overall, the experience shows that fiscal deficits cannot be sustainably financed by creating more money. Stronger revenue, better spending and disciplined borrowing remain essential.

What Is Ways and Means?

Ways and Means is essentially a short-term loan from the CBN to the government when available revenue and other funding sources are not enough to cover the fiscal deficit over a given period. It provides temporary funding to help the government meet its obligations when there is a financing gap. The idea is simple: borrow, when necessary, repay quickly, and move on, not turn temporary financing into a permanent source of funding.

Analyst(s)

Alaya Adam Isiaq.

alayaadam2021@gmail.com

HOW WAYS AND MEANS GOT OUT OF HAND

Nigeria's finances have faced serious challenges over the past decade. The government has often spent more money than it earns. To cover this gap, governments have to borrow money from different sources. When borrowing from this different source are not adequate or enough to finance the fiscal deficit, the government then seeks help from the CBN by way of deficit monetization, otherwise known as ways and means advance.

Unfortunately, this became a major issue during the administration of former President Muhammadu Buhari. Under [Section 38 \(2\) of the CBN Act](#), Ways and Means advances are limited to 5% of the previous year's actual government revenue.

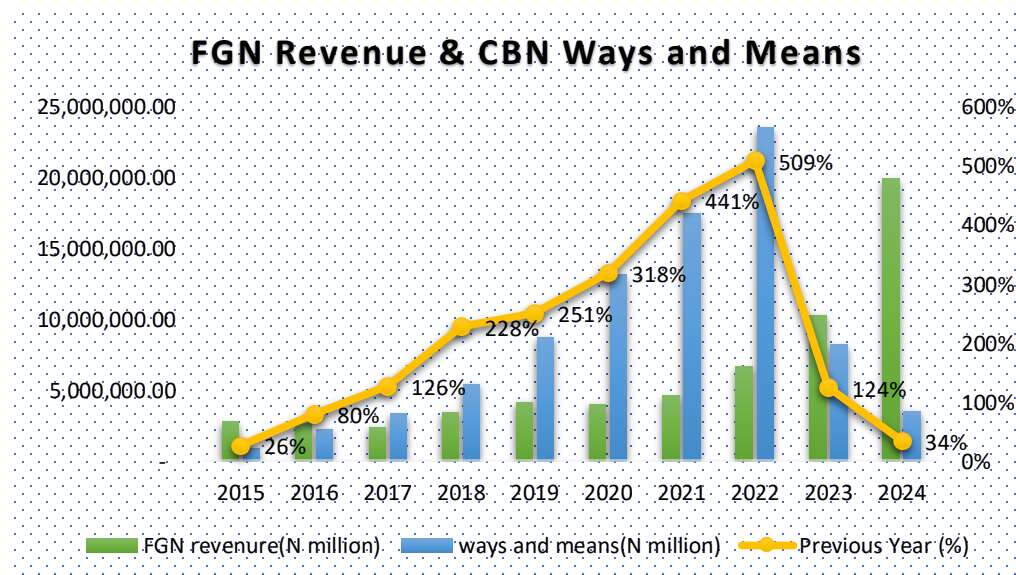
By 2016, the amount had gone far beyond this limit. According to CBN and Budget Office data, Ways and Means jumped by 160% in just one year, accounted for 80% of the previous year's government revenue, which was about 16 times the legal limit. A major reason was the collapse in oil revenue, which declined by 43% as global oil prices fell and attacks on oil facilities in the Niger Delta cut Nigeria's oil production. This drop in oil revenue pushed Nigeria into its first major recession in over two decades by 2016. This caused government revenue to fall. With less money coming in and government expenditure still high, the government increasingly turned to Ways and Means after exhausting other financing sources.

The story changed in 2023 when the Tinubu administration converted the accumulated Ways and Means balance into long-term government bonds instead of paying it back quickly. As a result, Ways and Means fell by 65%, while public debt increased by 110%. The money did not disappear; it simply changed from CBN advances into government debt. And it is important to note that the significant increase in Nigeria's debt profile was not driven solely by the securitization of Ways and Means in 2023, the translation effect of exchange rate depreciation on external debt also played a major role.

At the same time, inflation rose from 9% in 2015 to 33.2% in 2024, while the naira weakened from about ₦195/\$ to over ₦1,500/\$ by 2025. External reserves also moved through periods of decline and recovery. But how much of these changes can actually be linked to Ways and Means? The data below helps put the connection into perspective.

NIGERIA'S WAYS AND MEANS BALANCE KEPT GROWING AS REVENUE STRUGGLED

Nigeria's Ways and Means balance went from a manageable figure to a serious burden between 2015 and 2022. Under former President Buhari, it rose from ₦856 billion to ₦23.5 trillion, a 2,648% increase. The balance was equivalent to 26% of the previous year's FGN revenue in 2015, rising to about 509% by 2022, roughly 102 times the 5% legal limit under the CBN Act. highlighting the extent to which the legal ceiling was exceeded. Falling oil revenue, revenue shortfalls, COVID-19 and rising fuel subsidy costs all contributed, with the sharp 2019–2020 increase also reflecting the global reliance on central-bank financing during the pandemic. In 2023, the balance fell by about 65% under President Tinubu, dropping to 124% of the previous year's revenue, and further to 34% in 2024, or roughly 7 times the legal limit. The decline reflected the securitization of the accumulated balance, reduced reliance on Ways and Means financing, and stronger FGN revenues following the fuel subsidy removal and other revenue measures. But the debt did not disappear. The accumulated balance was converted into long-term government securities and incorporated into official public debt, with repayment structured over 37 years after the principal moratorium. ([Ways and Means Repayment](#))

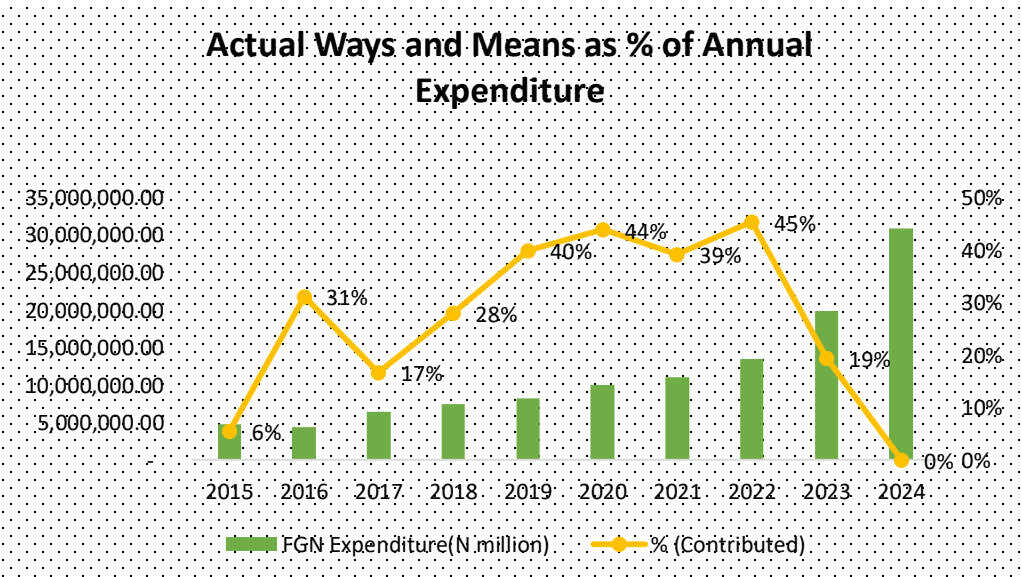


Based on Data collected from Budget Office and CBN.

GOVERNMENT SPENDING SURGED — FINANCING HAD TO FOLLOW

Federal Government spending jumped from ₦4.4 trillion in 2016 to ₦30.8 trillion in 2024, a 601% increase. Naira depreciation, rising debt service, stubborn inflation and wider deficits pushed spending higher, while revenue struggled to keep pace, widening the funding gap. To bridge it, the government relied on domestic and external borrowing, asset sales and other funding sources, alongside CBN Ways and Means. CBN financing accounted for 6% of FGN expenditure in 2015, rising to roughly 45% by 2022. And this was primarily driven by a severe collapse in oil revenues compounded by a ballooning fiscal deficit.

Then came 2023. About ₦22.7 trillion of the advances was converted into long-term public debt, leaving ₦4.3 trillion. Fresh CBN support was ₦3.8 trillion, or 19% of expenditure, taking the accumulated balance to roughly ₦8.2 trillion. From 2024, the balance was paid down rather than topped up. The pullback reflected efforts by the CBN and Ministry of Finance to strengthen fiscal discipline, stay within legal limits and reduce reliance on central-bank financing, while stronger independent revenues provided more room to fund spending. [CBN Ends Ways and Means Financing](#)



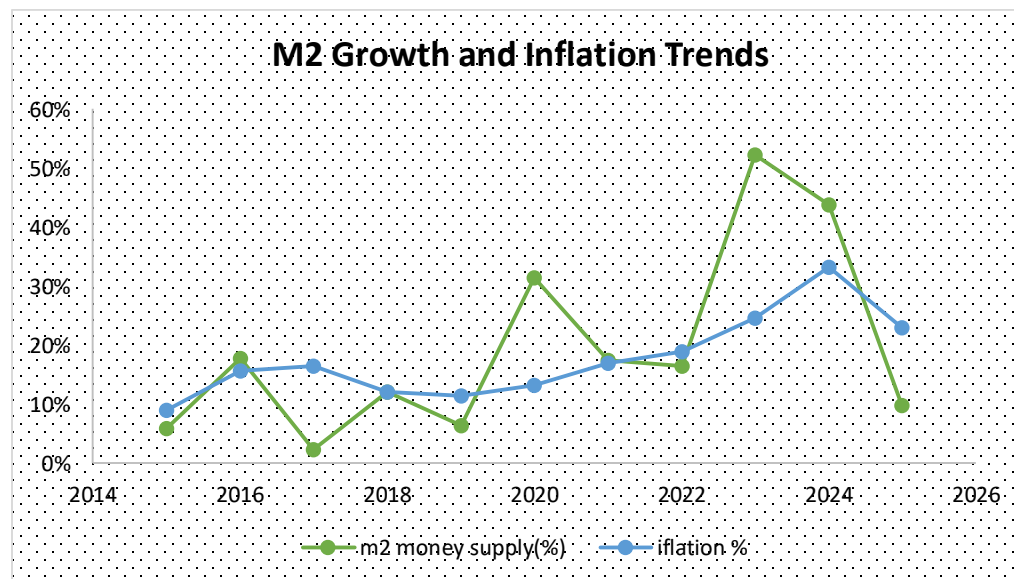
Based on Data collected from Budget Office and CBN

NIGERIA CUT BACK WAYS AND MEANS — BUT NOBODY TOLD INFLATION

The impact became clearer in 2016, when increased CBN financing added liquidity to the economy. M2 growth rose to 18% y/y from 6% in 2015, while inflation increased to 15.6% y/y from 9%. More money chasing limited goods put pressure on prices and weakened purchasing power. Then came 2023. Ways and Means was securitised, but M2 growth surged to 52% y/y from 16% in 2022, while inflation rose to 24.7% from 18.9%. The debt did not disappear; it simply moved into longer-term domestic debt, pushing domestic debt up by 140% while households continued to feel the squeeze.

By 2025, the pressure began to ease. M2 growth slowed to 10% y/y from 44% in 2024, while inflation fell to 23% from 33.2%. Tighter monetary policy, better liquidity management and less reliance on CBN financing helped cool money growth, but lower inflation did not mean lower prices.

Ecuador offers a useful lesson. Under Jamil Mahuad, dollarisation helped bring inflation from nearly 100% to below 5%. Nigeria cannot simply copy that playbook, but the message is clear: limiting monetary financing can help, while exchange rates, food prices and subsidy reforms can still keep inflation stubborn.

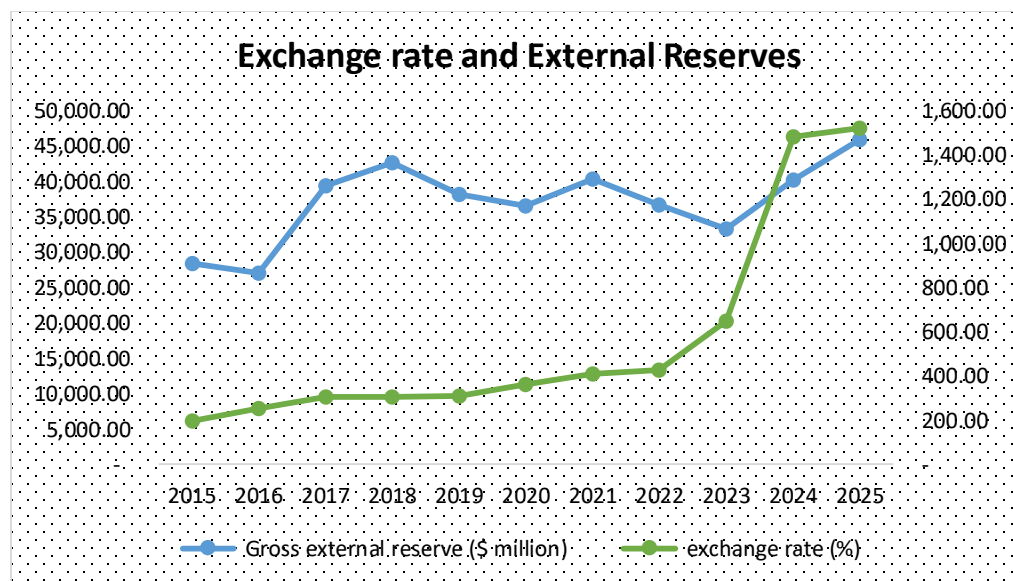


Based on Data collected from NBS and CBN.

EXCHANGE RATE WEAKENED — BUT OTHER FORCES WERE AT PLAY

As Ways and Means expanded, more naira entered the economy, adding to liquidity and inflationary pressure. The naira also came under severe pressure, moving from ₦253.49/\$ in 2016 to ₦1,478.97/\$ in 2024, a 483% increase, and above ₦1,500/\$ in 2025. Foreign reserves, however, followed a different path, rising by about 58% between 2016 and 2018, from US\$26.9 billion to US\$42.5 billion. before weakening to US\$33.2 billion in 2023, then recovering by about 38% to US\$45.8 billion in 2025.

These movements show that Ways and Means was part of the pressure, but not the whole story. While it increased naira liquidity, the naira's depreciation was driven more by FX-market reforms, dollar shortages, weak oil earnings and strong demand for foreign currency. Reserve movements also reflected oil earnings, foreign capital inflows and CBN intervention, while the 2023 fuel subsidy removal helped ease fiscal pressure. As a recent development beyond the study period, 2026 has so far seen greater naira stability around ₦1,300/\$ and reserves rising above US\$54 billion. Overall, Ways and Means mattered, but it was not the sole driver of exchange-rate and reserve movements. [\(Reserves Rise — Naira Stabilizes\)](#)



Based on Data collected from CBN.

THANK YOU.