AJSSM
African Journal of Social Science and Management

**African Journal of Social Science and Management**
*ISSN: 3141-5369*
Journal homepage: www.ajssm.com

**Policy paper**

# National security and economic stability in Nigeria

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**Abstract**
Widespread insecurity has consistently threatened Nigeria's economic stability, with gains in macroeconomic reform undermined over the past decade by the intersection of violent conflict and precarious fiscal conditions. Nigeria currently ranks as the fifth most conflict-affected country globally, confronting simultaneous insurgency in the Northeast, banditry in the Northwest, farmer-herder conflicts in the Middle Belt, separatist militancy in the Southeast, and oil theft in the Niger Delta. This paper examines how insecurity affects Nigeria's economic stability through fiscal performance, agricultural productivity, investment climate, and macro-financial stability, while proposing evidence-based policy options for integrating security sector effectiveness with economic policy. Drawing on a systematic review of secondary data from government budgets, and international database, the paper synthesizes quantitative evidence on the fiscal, sectoral, and macroeconomic costs of insecurity, anchored in established theoretical frameworks. Consolidated security spending reached ₦17.36 trillion between 2021 and 2025, yet fatalities rose from approximately 10,000 in 2020 to 11,968 in 2025. Oil theft and vandalism cost the government $3.3 billion between 2023 and 2024, reducing production by 27.4% over a decade. Agricultural productivity in conflict areas declined by 20-30%, while over 33 million Nigerians were projected to face crisis-level food insecurity by mid-2025. Insecurity was identified as a key downside risk to growth in the country. Nigeria cannot consolidate macroeconomic reform gains without a reliable security dividend rooted in robust institutions. Medium-term priorities must integrate outcome-based security budgeting, sector-specific security architectures, and conflict-sensitive macroeconomic programming to ensure sustainable growth and national resilience.

**Keywords:** National security, economic stability, oil theft, agricultural disruption, fragile states, public goods

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How to cite this article: Raymond, M. O. (2026). National security and economic stability in Nigeria. *African Journal of Social Sciences and Management, 1*(2): 68-81.

**INTRODUCTION**

The relationship between national security and economic stability is not merely correlational; it is constitutive. An economy cannot sustain investment, productivity, or structural transformation in conditions of chronic violent insecurity. Nigeria's experience over more than a decade offers a particularly instructive case study: a country simultaneously implementing ambitious macroeconomic reforms while contending with one of the most complex and geographically diffuse security crises on the African continent. Nigeria's security landscape has been characterized by extraordinary complexity and geographic breadth. Boko Haram and its faction, the Islamic State West Africa Province (ISWAP), have continued their insurgency in the Northeast; organized banditry and mass kidnappings have destabilized the Northwest; farmer-herder conflicts have raged across the Middle Belt; separatist violence by the Indigenous People of Biafra (IPOB) has disrupted economic life in the Southeast; and crude oil theft and pipeline vandalism have inflicted crippling losses on the petroleum sector. Armed Conflict Location and Event Data Project (ACLED) ranked Nigeria as the fifth most dangerous country globally in terms of conflict extremity as of December 2024 (Madueke, 2025).

Despite over a decade of escalating security expenditure - reaching N17.36 trillion between 2021 and 2025 (BudgIT, 2025), Nigeria's security outcomes have deteriorated rather than improve. The country ranked as the fifth most dangerous globally in terms of conflict extremity as of December 2024 (ACLED, 2024; Madueke, 2025). This paradox of rising spending and declining outcomes raises fundamental questions about the effectiveness of current security governance and its macroeconomic ramifications. Existing literature on insecurity in Nigeria has predominantly adopted either narrow security-studies perspectives (focusing on military operations and terrorist group dynamics) or isolated economic analyses (examining single-sector impacts such as agriculture or oil). What remains underexplored is the systematic integration of security dynamics into macroeconomic policy frameworks; the recognition that security is not merely a constraint on growth but a constitutive variable within economic stabilization programmes. While Collier et al. (2003) and subsequent fragile-states scholarship have established the security-development nexus generally, few studies have applied this framework to Nigeria's contemporary macroeconomic reform context, particularly the Tinubu administration's stabilization agenda (2023-2025).

Nigeria's current macroeconomic stabilization programme has delivered notable gains: inflation fell from 34.8% to 15.15% by December 2025, reserves rose to $46.8 billion, and gross domestic product (GDP) growth reached 3.4% in 2024 (IMF, 2025). However, these achievements remain structurally fragile. Without addressing the security foundations of economic activity, reform gains are vulnerable to reversal. This paper is timely because it bridges the policy silo between security governance and macroeconomic management, a bridge that is essential for sustainable development. This paper makes three distinct contributions to the literature. First, it provides the recent comprehensive costing of insecurity across fiscal, agricultural, investment, and macro-financial dimensions, synthesizing data from 2020 to 2025. Second, it advances a theoretical framework that integrates Human Security Theory, Public Goods Theory, the Greed-Grievance framework, and Fragile States Theory to explain Nigeria's specific security-economy nexus. Third, it proposes actionable policy recommendations that directly link security sector reform to macroeconomic programming, moving beyond generic prescriptions to institutionally grounded proposals.

This paper examines how insecurity affects Nigeria's economic stability through fiscal performance, agricultural productivity, investment, and macroeconomic stability while proposing policy options. Specifically, the paper seeks to:

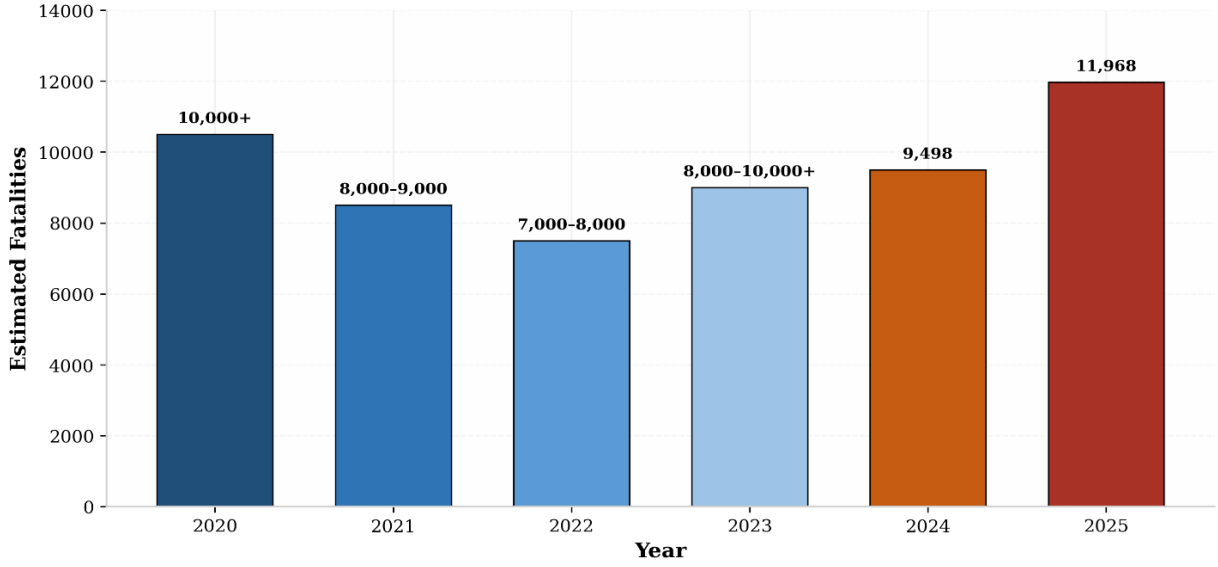
i. Quantify the fiscal costs of insecurity, including direct security expenditure and foregone revenue from oil theft and agricultural disruption.
ii. Analyze the sectoral transmission mechanisms through which insecurity undermines economic productivity, with particular attention to agriculture and petroleum.
iii. Evaluate the impact of insecurity on Nigeria's investment climate and macro-financial stability.
iv. Propose evidence-based policy recommendations that integrate security effectiveness with macroeconomic stabilization.

Table 1. Nigeria's Insecurity-Related Fatalities (2020–2025)

| Year | Estimated Fatalities | Key Drivers |
|---|---|---|
| 2020 | 10,000+ | ISWAP expansion; banditry in Zamfara/Katsina; farmer-herder clashes |
| 2021 | 8,000–9,000 | Mass kidnappings (schoolchildren in Kaduna, Niger); banditry peak |
| 2022 | 7,000–8,000 | Plateau communal violence; continued Northeast insurgency |
| 2023 | 8,000–10,000+ | IPOB clashes in Southeast; persistent banditry |
| 2024 | 9,498 | ACLED-recorded fatalities nationwide, concentrated in the North |
| 2025 | 11,968 | Conflict-related fatalities; civilian and security-force casualties |

Source: ACLED (2025)

Figure 1. Nigeria's insecurity-related fatalities (2020 – 2025)




*Note: Figures represent consolidated estimates from multiple sources (ACLED, HumAngle Tracker, Nextier Nigeria Violent Conflicts Database, and CFR Nigeria Security Tracker). Ranges reflect inter-source variation; duplicate counts were removed using ACLED as the primary reference. Sources are triangulated to minimize double-counting. See Table 1 for detailed methodology.*

Source: ACLED (2025)

Table 1 and Figure 1 highlight the recent estimated fatalities of Nigeria's insecurity with the key drivers from 2020 to 2025 from diverse sources as indicated. Note on Methodology: Fatality estimates are consolidated figures derived from triangulation across four independent conflict-

monitoring sources: (1) ACLED, which employs a standardized event-coding methodology and serves as the primary reference for removing duplicate counts; (2) the HumAngle Tracker, which focuses on Northeast and Northwest conflict zones; (3) the Nextier Nigeria Violent Conflicts Database, which provides sub-national disaggregation; and (4) the Council on Foreign Relations (CFR) Nigeria Security Tracker. Where sources reported divergent figures for the same events, ACLED's coding was adopted as the baseline, and supplementary data from other sources were included only for events not captured by ACLED. This triangulation approach minimizes double-counting while maximizing geographic and thematic coverage. The 2020-2023 figures represent ranges reflecting inter-source variation; 2024 and 2025 figures are ACLED consolidated totals. Author's Computation.

## LITERATURE REVIEW

### *Theoretical Framework*

This paper is anchored on four interrelated theoretical perspectives, each addressing a distinct dimension of the security-economy nexus. Rather than treating these as competing explanations, the analysis positions them as complementary lenses that collectively illuminate the multidimensionality of Nigeria's crisis. Human Security Theory (United Nations Development Programme [UNDP], 1994). The UNDP's (1994) Human Development Report reconceptualized security from a state-centric to a people-centric paradigm, identifying seven interconnected dimensions: economic, food, health, environmental, personal, community, and political security. This framework is particularly appropriate for Nigeria because the country's insecurity is not merely a threat to territorial integrity but a direct assault on civilian livelihoods. The displacement of 3.5 million people, the destruction of farmland, and the collapse of rural markets all represent violations of human security that cascade into macroeconomic instability. Unlike traditional security theories that privilege state institutions, Human Security Theory demands that policy responses address the lived economic vulnerabilities of affected populations.

Public Goods Theory (Samuelson, 1954; Tanzi & Zee, 2000). Samuelson's (1954) foundational formulation established that pure public goods are non-excludable and non-rivalrous, necessitating state provision because market mechanisms fail to supply them efficiently. Security is the quintessential public good: once provided, all citizens benefit regardless of individual contribution, and one person's consumption does not diminish another's. Tanzi and Zee (2000) extended this to emerging markets, arguing that the state's capacity to provide security public goods is a precondition for all other economic activity. This theory is critical for understanding Nigeria's investment climate: the absence of security as a public good raise the risk premium on private capital, compresses profit margins, and drives capital flight. The theory also explains the paradox of rising security spending with declining outcomes – if security provision is characterized by corruption, procurement inefficiency, and strategic incoherence, the public good is effectively "underprovided" despite nominal budget increases.

Greed versus Grievance Theory (Grossman, 1991; Collier & Hoeffler, 2004). Grossman's (1991) general equilibrium model of insurrections posited that rebellion emerges when the expected economic returns from violence exceed the opportunity costs of peaceful participation. Collier and Hoeffler (2004) subsequently distinguished between "grievance"-driven conflict (motivated by inequality, exclusion, or ethnic marginalization) and "greed"-driven conflict (motivated by economic predation and resource capture). This dual framework is uniquely suited to Nigeria's multiple security theaters. In the Niger Delta, crude oil theft is economically rational where governance failures have channeled resource rents away from local communities – a greed mechanism. In the Northwest, the

collapse of pastoralism under climate-induced environmental stress makes banditry an economically motivated alternative livelihood for displaced Fulani youth – a grievance mechanism transformed into greed through structural deprivation. The theory's predictive power lies in its implication that durable peace requires addressing both the material incentive structures (greed) and the underlying socio-economic grievances that sustain recruitment.

Fragile States Theory (Collier et al., 2003). The World Bank's Breaking the Conflict Trap (Collier et al., 2003) established that conflict and underdevelopment constitute a self-reinforcing cycle: the absence of security generates conditions (displacement, agricultural collapse, capital flight, governance failures) that entrench underdevelopment, which in turn fuels the grievances that sustain violent conflict. This framework is essential for Nigeria because it captures the feedback loops that make the country's crisis self-perpetuating. Unlike one-directional causal models, Fragile States Theory recognizes that insecurity suppresses growth, and deprivation feeds the recruitment base of armed groups. The theory's policy implication that breaking the cycle requires simultaneous intervention across security, governance, and economic domains directly informs this paper's integrated recommendations.

Why These Theories Are Most Appropriate. No single theory adequately captures the complexity of Nigeria's security-economy nexus. Human Security Theory provides the normative orientation (people-centered policy); Public Goods Theory explains the market failure rationale for state intervention; Greed-Grievance Theory illuminates the micro-motivations of conflict actors; and Fragile States Theory captures the macro-level feedback dynamics. Together, they form an analytical architecture that is both theoretically rigorous and empirically grounded in Nigeria's multidimensional crisis.

***Empirical Literature Review***

The empirical literature on insecurity and economic outcomes in Nigeria has expanded significantly since 2020, reflecting both the intensification of conflict and the growing availability of sub-national data. This section reviews recent studies across five thematic areas, highlighting convergent findings and persistent disagreements.

***Insecurity and GDP Growth:*** There is broad consensus that insecurity exerts a statistically significant negative effect on Nigerian GDP growth, though estimates vary in magnitude. Magaji, Musa, and Ismail (2025), employing autoregressive distributed lag (ARDL) modelling on data from 1990 to 2023, found that a one-unit increase in the national insecurity index reduced GDP growth by 0.32 percentage points in the long run. This finding aligns with Olaniyi and Oluwatobi (2022), who reported that Boko Haram insurgency reduced Northeast regional GDP by approximately 15% between 2010 and 2020. However, disagreements persist regarding the spatial diffusion of effects: while Adeleke and Olowe (2023) argue that insecurity in the North exerts economy-wide effects through inter-regional trade disruption, Nwogbo and Okonkwo (2024) contend that the impact is largely region-specific, with limited spillover to the non-oil South. This debate has direct policy implications: if effects are localized, targeted regional interventions may suffice; if diffuse, national macroeconomic frameworks must incorporate security variables.

***Insecurity and Investment:*** The investment-deterrence effect is among the most robust findings in the literature. Umar and Abdullahi (2023), using panel data on 36 Nigerian states, found that states with above-median conflict intensity experienced 23% lower foreign direct investment (FDI) inflows compared to peaceful states. This finding is corroborated at the firm level by the World Bank's (2023) Enterprise Surveys, which reported that 68% of Nigerian firms identified insecurity as a "major" or "severe" obstacle to operations. A point of contention, however, concerns the relative

importance of insecurity versus macroeconomic instability as investment constraints. While Onwuka and Okafor (2024) rank insecurity as the primary deterrent, Emmanuel and Ibrahim (2022) argue that exchange rate volatility and policy inconsistency exert larger effects, suggesting that security improvements alone may not restore investor confidence without complementary macroeconomic reforms.

***Insecurity and Inflation/Food Prices:*** The security-food price nexus has attracted increasing scholarly attention, particularly following the 2020-2024 food inflation surge. Ajayi and Bello (2024) estimated that conflict-related agricultural disruption in the Northwest and Northeast contributed approximately 4.2 percentage points to national food inflation in 2023. FAO (2024) reported that staple crop prices in Borno, Zamfara, and Kaduna states were 35-60% higher than in peaceful southern states, attributing the differential primarily to supply chain disruptions and displacement-induced labour shortages. Conversely, some scholars caution against overattributing inflation to insecurity alone. Ogunleye and Adesina (2023) noted that global commodity price shocks and exchange rate depreciation accounted for a larger share of headline inflation during 2022-2023, suggesting that insecurity operates as a compounding rather than primary inflationary driver.

***Insecurity and Agricultural Productivity:*** The agricultural sector, which contributes approximately 25% of Nigeria's GDP and employs 45% of the workforce (Coface, 2024), has been the subject of several recent empirical investigations. Ibrahim and Suleiman (2023), using satellite-derived crop yield data, documented a 22% decline in maize and sorghum yields in conflict-affected local government areas between 2019 and 2023. This finding is consistent with the FAO's (2025) estimate of 20-30% productivity losses in affected areas. A notable gap in the literature, however, concerns the long-term structural effects of agricultural disruption. While most studies quantify immediate yield losses, few examine whether displaced farmers return to cultivation, whether land degradation from abandonment is reversible, or whether youth demographics in conflict zones are shifting permanently away from agriculture - questions with profound implications for Nigeria's food security trajectory.

***International Comparative Evidence:*** Comparative studies provide important benchmarks for evaluating Nigeria's performance. Besley and Persson (2011), in a cross-country analysis of 76 developing economies, found that countries experiencing protracted internal conflict experienced average GDP growth reductions of 2.3 percentage points annually. Nigeria's experience falls within this range, though its fiscal response characterized by exceptionally high security spending with poor outcome efficiency is atypical. Kenya's experience with Al-Shabaab insurgency offers a useful comparator: as documented by Mwangi and Oketch (2022), Kenya maintained lower fatalities per security dollar spent through community policing integration and regional cooperation mechanisms that Nigeria has yet to replicate. Similarly, Colombia's post-conflict economic recovery (Mejia, 2021) demonstrates that security dividends can be translated into growth when accompanied by rural infrastructure investment and land tenure reform--lessons relevant to Nigeria's farmer-herder conflict resolution.

***Synthesis:*** The empirical literature converges on several propositions: (1) insecurity reduces GDP growth, investment, and agricultural productivity; (2) the magnitude of effects varies by region, conflict type, and time horizon; and (3) insecurity interacts with macroeconomic instability to compound economic distress. Persistent disagreements concern the relative weight of security versus other constraints, the spatial diffusion of impacts, and the long-term structural consequences of agricultural disruption. This paper contributes to these debates by providing the most recent consolidated cost estimates and by proposing an integrated framework that treats security as an endogenous variable within macroeconomic programming.

***The Fiscal Cost of Insecurity: A Paradox of Rising Spending and Declining Outcomes***

Nigeria's security expenditure over the 2021-2025 period represents one of the most striking paradoxes in contemporary African fiscal management: escalating nominal outlays accompanied by deteriorating security outcomes. From N1.5 trillion in 2021, the consolidated security and defence budget climbed to N2.1 trillion in 2023, surged by 133% to N4.91 trillion in 2024, and reached a peak of N6.85 trillion in 2025, with total outlays across the five-year period amounting to N17.36 trillion (BudgIT, 2025). The defence allocation alone stood at N1.647 trillion in 2024, representing 5.7% of the total federal budget, while defence and security jointly accounted for over 12% of the 2024 federal budget (PLAC, 2024; Daily Trust, 2023).

PricewaterhouseCoopers (PwC) Nigeria (2026) noted that security spending in the preceding nine years amounted to N14.8 trillion, yet insecurity remained a persistent challenge, negatively affecting economic activities and undermining investor confidence. This disconnect reflects systemic challenges of accountability, procurement inefficiency, and strategic incoherence that have become defining features of Nigeria's security sector. The IMF's (2025) Article IV consultation explicitly identifies insecurity as a key downside risk to Nigeria's growth outlook, noting that agricultural output remained subdued owing to security challenges and sliding productivity.

The disconnect between escalating security expenditure and deteriorating outcomes reflects four interrelated structural failures. First, input-focused budgeting prioritizes allocations over results. Nigeria's security appropriations are structured around personnel salaries, equipment procurement, and operational allowances rather than measurable outcomes such as civilian protection, displacement reduction, or conflict incident decline. The 133% surge in the security budget between 2023 and 2024 (from N2.1 trillion to N4.91 trillion) was not accompanied by published performance benchmarks or independent verification mechanisms (BudgIT, 2025). This absence of outcome accountability creates a moral hazard wherein budget increases are treated as ends in themselves rather than means to improved security.

Second, procurement inefficiency and corruption divert resources from operational effectiveness. PLAC (2024) documented that defence procurement processes lack transparency, with equipment acquisitions frequently delayed, overpriced, or technically unsuited to Nigeria's asymmetric conflict environment. The Nigerian military's continued reliance on conventional warfighting platforms – tanks, fighter jets, and heavy artillery – against agile non-state actors operating in diffuse rural terrain illustrates a strategic-procurement mismatch that expenditure increases alone cannot resolve.

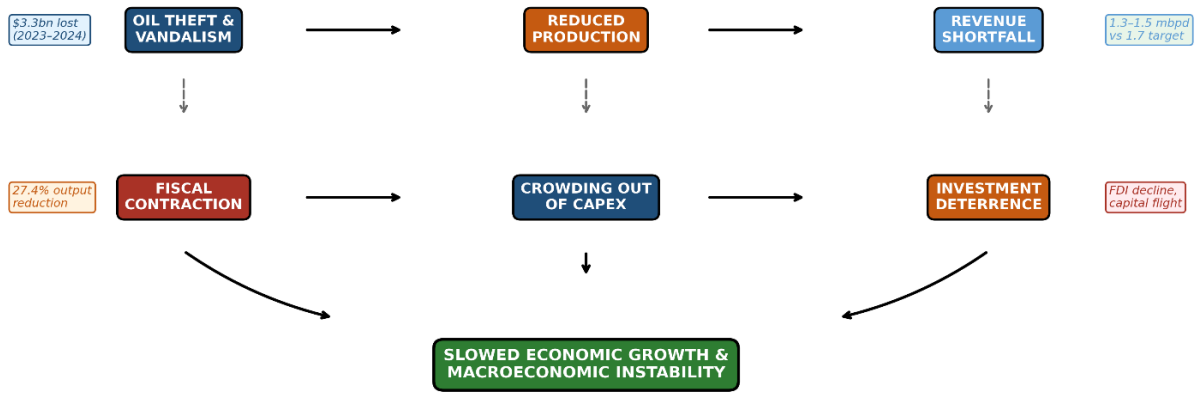
Third, the security architecture remains centralized and uncoordinated despite the geographic diffusion of threats. The federal government's monopoly over security policy and the constitutional constraints on state-level policing (Section 214 of the 1999 Constitution) create response lags and local knowledge deficits. Banditry in Zamfara and Katsina, for example, persists partly because federal security deployments lack the granular intelligence and community legitimacy that state or local forces could provide.

Fourth, the "security first" approach neglects the economic root causes that sustain recruitment into armed groups. As Collier and Hoeffler's (2004) greed-grievance framework predicts, where the opportunity cost of legitimate economic participation exceeds the risks of predation, young men will opt for banditry, militancy, or oil theft. Security spending that does not simultaneously address unemployment, climate-induced pastoral collapse, and resource governance deficits treats symptoms rather than causes.

***Oil Sector Security and Fiscal Revenue Losses***

Given that petroleum revenues remain central to Nigeria's fiscal architecture, accounting for the largest share of foreign exchange earnings and a substantial portion of federation account receipts, security threats to the oil sector have direct and severe macroeconomic consequences. NEITI (2025) reported that Nigeria lost approximately 13.5 million barrels of crude oil valued at $3.3 billion to theft and pipeline vandalism between 2023 and 2024, describing the losses as a major blow to public revenue sufficient to have funded a full year of the federal health budget. The operational consequences were equally significant. Actual crude oil production during 2023 and 2024 consistently fell short of budget benchmarks. Against the 2024 target of 1.7 million barrels per day (mbpd), actual production fluctuated between 1.3 and 1.5 mbpd, a shortfall attributable in significant part to oil theft, pipeline vandalism, and attendant insecurity in the Niger Delta (Parliament Reports, 2025). Pipeline vandalism, oil theft, illegal refining, and under-investment combined to reduce Nigeria's oil output by 27.4% over a decade, from 1.9 mbpd in 2014 to 1.4 mbpd in July 2024 (Vanguard/CED Magazine, 2024). These production shortfalls directly reduced government revenues available for capital expenditure (CAPEX), debt service, and social investment, undermining the very fiscal consolidation that the reform programme sought to achieve.

Figure 2. Transmission mechanism: oil theft → government revenue → economic growth




Note: Conceptual framework illustrating the causal chain from oil sector insecurity to macroeconomic instability. Source: Author's synthesis on NEITI (2025), IMF (2025), and Vanguard/CED Magazine (2024)

The transmission mechanism from oil sector insecurity to macroeconomic instability operates through four sequential channels:

*i.* *Channel 1:* Production Disruption to Revenue Loss. Oil theft and pipeline vandalism directly reduce crude oil output. Between 2023 and 2024, actual production fluctuated between 1.3 and 1.5 mbpd against a budget benchmark of 1.7 mbpd (Parliament Reports, 2025). Each 100,000 bpd shortfall translates to approximately $2.7 billion in annual revenue loss at average 2024 prices. The NEITI-reported $3.3 billion loss (2023-2024) represents forgone fiscal resources equivalent to the entire federal health budget for one year.

*ii.* *Channel 2:* Revenue Shortfall to Fiscal Contraction. Petroleum revenues account for the largest share of foreign exchange earnings and a substantial portion of federation account receipts. When oil revenues fall below budget projections, the federal government faces a binding fiscal constraint: it must either borrow to cover the deficit (increasing debt service obligations), cut CAPEX (undermining infrastructure and growth), or reduce transfers to sub-national governments (compressing state-level service delivery). In 2024, the CAPEX budget was already

constrained by debt service consuming over 40% of federally retained revenue, leaving minimal fiscal space to absorb oil revenue shocks.

iii. *Channel 3:* Fiscal Contraction to Crowding Out of Productive Investment. Reduced CAPEX and increased borrowing to offset revenue shortfalls raise sovereign risk premiums and crowd out private investment. When the government competes for limited domestic savings to finance deficits, interest rates rise, making private sector credit more expensive. Simultaneously, the withdrawal of International Oil Companies (IOCs) from onshore to offshore assets - directly linked to Niger Delta insecurity - reduces the capital stock and technological transfer essential for production recovery.

iv. *Channel 4:* Investment Deterrence to Slowed Growth. The combination of fiscal contraction, crowding out, and IOC divestment converges to reduce aggregate investment, compressing GDP growth. The IMF (2025) explicitly identified insecurity as a key downside risk to Nigeria's growth outlook, noting that the "security tax" on business operations including private security costs, logistics adjustments, and energy infrastructure vulnerabilities reduce the marginal efficiency of investment and deters both domestic and foreign capital commitment.

***Insecurity, Agricultural Disruption, and Food Inflation***

The security-food security nexus constitutes perhaps the most direct channel through which insecurity translates into household economic distress. Nigeria's agricultural sector, which contributes approximately 25% of GDP and employs 45% of the workforce (Coface, 2024), is acutely concentrated in regions most severely affected by violent conflict - the food-producing states of the North Central, Northeast, and Northwest zones. Insecurity in these regions has progressively disrupted planting, cultivation, and harvest cycles, compressed rural labour supply, and forced the displacement of farming communities.

The quantitative evidence is stark. Banditry, farmer-herder clashes, and insurgency collectively displaced approximately 3.5 million people while destroying farmland and slashing agricultural yields by 20-30% in affected areas (FAO, as cited in Newsdiaryonline, 2025). The food security consequences were severe. The IMF (2025) estimated the poverty rate at 46% in 2024, with 31 million Nigerians deemed food insecure. By the 2025 lean season (June-August), over 33 million people were projected to face crisis-level food insecurity or worse, a 32% increase from the same period in 2024 (ACAPS, 2025).

***Insecurity, Investment Climate, and Macro-Financial Stability***

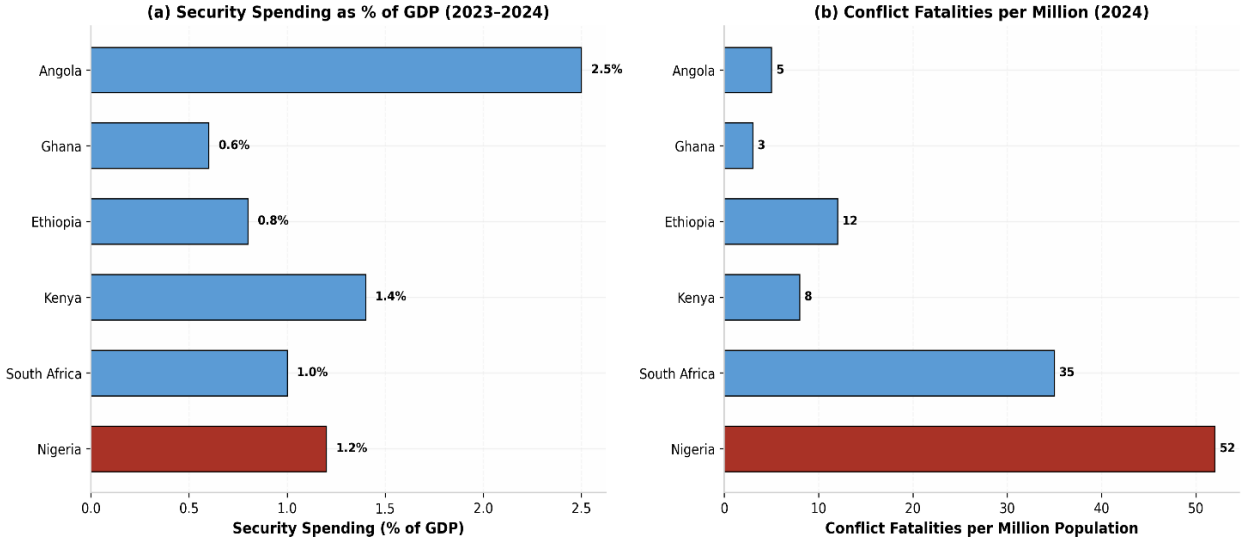
Beyond its sectoral impacts, insecurity imposes a diffuse but quantitatively significant drag on Nigeria's investment climate. Survey evidence from NOI Polls (2024) found that seven in ten Nigerians describe the security situation as "dreadful," a perception that is fully shared by foreign and domestic investors, for whom personal safety, property rights security, and operational certainty constitute prerequisite conditions for capital commitment (Madueke, 2025).

The macroeconomic manifestations of this investment deterrence effect are compounded by the direct costs imposed on business operations. Enterprises across Nigeria face substantial expenses for private security, generator fuel (given insecurity-linked energy infrastructure vulnerabilities), and logistics route adjustments around conflict zones. These operational cost premiums, analogous to a security tax on productive enterprise, compress profit margins, deter expansion investment, and accelerate the exodus of formal sector firms from insecurity-affected regions.

Nigeria's downgrade from "stable" to "vulnerable" status in the SBM Intelligence Africa Country Instability Risk Index for 2024, with its score falling from 39 in 2023 to 45, was explicitly

attributed to soaring food inflation, persistent insecurity, and increasing poverty (SBM Intelligence, as cited in Newsroom, 2024). This reputational deterioration has tangible consequences for sovereign borrowing costs, FDI flows, and the country's capacity to attract the private capital necessary for structural transformation. Boko Haram and ISWAP, which NEITI (2025) reported were responsible for 66% of all violent deaths in Nigeria in 2024, have also been linked to the withdrawal of IOCs from onshore assets to less accessible offshore fields, a structural divestment that carries long-term implications for oil production capacity (The Guardian Nigeria, 2025).

Figure 3. Comparative security spending and conflict outcomes in selected African countries




Note: Nigeria exhibits the highest fatalities-to-spending inefficiency ration among major African economies. Source: SIPRI Military Expenditure Database (2024).

Nigeria's security spending inefficiency becomes starkly apparent when compared to peer African economies. As illustrated in Figure 3, Nigeria's security spending as a percentage of GDP (approximately 1.2% in 2023-2024) is comparable to South Africa (1.0%) and Kenya (1.4%), yet its conflict fatalities per million population (52) far exceed all comparators. Kenya, despite facing Al-Shabaab insurgency in its northeastern counties, achieved substantially lower fatalities per capita through integrated community policing, regional security cooperation (African Union Mission in Somalia [AMISOM]/African Union Transition Mission in Somalia [ATMIS]), and targeted counter-radicalization programmes (Mwangi & Oketch, 2022). South Africa's higher fatalities (35 per million) are driven primarily by criminal violence rather than organized insurgency, making direct comparison less instructive.

The divergence between Nigeria and Kenya is particularly instructive. Both countries confront Islamist insurgencies operating across porous borders, yet Kenya's security architecture emphasizes intelligence-led operations, community engagement, and multi-agency coordination--features that Nigeria's more militarized, federalized approach has struggled to replicate. Kenya's National Counter-Terrorism Centre, established in 2003, institutionalized civil-military cooperation and deradicalization programming that Nigeria's fragmented security apparatus has yet to achieve.

Angola presents a contrasting case: with the highest security spending (2.5% of GDP) but low fatalities (5 per million), Angola demonstrates that high expenditure can correlate with improved outcomes when accompanied by post-conflict institutional consolidation following its civil war (1975-

2002). However, Angola's model – characterized by authoritarian governance and limited civil oversight – raises normative concerns that limit its transferability to Nigeria's democratic context.

These comparisons suggest that Nigeria's security crisis is not primarily a resource constraint but an institutional and strategic one. The country spends sufficient resources but allocates them inefficiently, lacks outcome accountability, and fails to address the economic grievances that sustain recruitment. This comparative insight directly informs the paper's recommendation for outcome-based budgeting and security sector governance reform.

## POLICY RECOMMENDATIONS AND CONCLUSION

### *Policy Recommendations*

Consolidating Nigeria's macroeconomic stabilization gains requires the explicit integration of security as an economic policy variable. The following evidence-based recommendations are organized by implementation horizon and derive directly from the evidence and analysis presented in this paper.

*Short-Term (0-12 Months)*

1. Transition to outcome-based security budgeting. The dramatic disconnect between rising security expenditure (N17.36 trillion, 2021-2025) and deteriorating outcomes reflects structural accountability failures documented in Section 2. The National Assembly's oversight committees should enforce performance-linked security appropriations, with transparent benchmarks for civilian protection, displacement reduction, and conflict incident metrics. This directly addresses the input-focused budgeting critique and aligns with the Public Goods Theory framework.
2. Establish a dedicated oil sector security architecture. The $3.3 billion in oil losses between 2023 and 2024 (Section 3) represents forgone public revenues that dwarfed social sector budgets. A community-stakeholder model, incorporating credible revenue-sharing arrangements with oil-producing communities and economic alternatives for artisanal oil workers, would address both the material incentive structure (greed) and the governance deficit (grievance) that sustain oil theft.

*Medium-Term (1-3 Years)*

3. Operationalize a comprehensive national farmer-herder conflict resolution framework. The Middle Belt conflicts, which have displaced over 2.1 million people since 2019 (Section 4), require a permanent institutional response encompassing: (a) demarcated grazing reserves with legal enforcement; (b) alternative livelihood programmes for pastoral communities; (c) climate-adaptive land use planning; and (d) strengthened state-level conflict mediation mechanisms. This addresses the agricultural disruption channel identified in the transmission mechanism analysis.
4. Scale up disarmament, demobilisation, and reintegration (DDR) programmes. While military operations remain necessary, Collier and Hoeffler's (2004) greed-grievance framework implies that durable peace requires making legitimate livelihoods more economically attractive than armed predation. DDR programmes for Northeast insurgents and Northwest bandits should integrate vocational training, agricultural resettlement, and psychosocial support, with independent monitoring of reintegration success rates.

*Long-Term (3-5 Years)*

5. Implement comprehensive security sector governance reforms. The accountability deficit undermines both security outcomes and institutional trust (Section 2). Reforms must

encompass: transparent procurement with independent audit; anti-corruption enforcement within the security services; and strengthened civilian oversight consistent with Section 14(2)(b) of the 1999 Constitution. These governance reforms are preconditions for converting expenditure into effective security public goods.

6. Mainstream security-conflict sensitivity into macroeconomic programming. The IMF (2025), African Development Bank (AfDB, 2026), and World Bank (2024) all identify insecurity as a material downside risk to Nigeria's economic outlook. This recognition must translate into institutional mechanisms within the Federal Ministry of Finance, the National Planning Commission, and the Central Bank of Nigeria for systematically incorporating security dynamics into macroeconomic forecasting, investment planning, and expenditure frameworks. This recommendation directly operationalizes the paper's central argument that security is a constitutive economic variable, not an exogenous constraint.

***Conclusion***

Nigeria's mid-term macroeconomic stabilization programme delivered notable gains, yet these achievements remain structurally fragile. This paper has demonstrated that persistent insecurity operates as a foundational constraint on economic stability through multiple reinforcing channels. The fiscal paradox of escalating security expenditure alongside deteriorating outcomes reflects systemic accountability failures, procurement inefficiency, and strategic incoherence rather than mere resource inadequacy. Oil sector insecurity drains public revenues and triggers a cascading transmission mechanism through production shortfalls, fiscal contraction, crowding out of productive investment, and investment deterrence. Agricultural disruption in conflict zones compounds food insecurity and inflationary pressures, while the broader investment climate suffers from a pervasive "security tax" on business operations.

The theoretical framework advanced in this paper - integrating Human Security Theory, Public Goods Theory, the Greed-Grievance framework, and Fragile States Theory - provides an analytical architecture for understanding why Nigeria's crisis is self-reinforcing and why fragmented policy responses have proven insufficient. Comparative evidence from Kenya and other African peers suggests that the constraint is institutional and strategic rather than fiscal.

Consolidating Nigeria's reform gains requires treating security not as a secondary concern but as the foundational public good upon which sustainable growth, fiscal stability, and national resilience depend. The recommendations advanced here – prioritized across short-, medium-, and long-term horizons and explicitly linked to the paper's empirical findings – offer a pathway for integrating security sector effectiveness with macroeconomic policy. Without this integration, Nigeria's trillion-dollar economy ambitions will remain asymptotically out of reach.

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