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THE EFFECT OF MONETARY AND FISCAL POLICIES ON PUBLIC EDUCATION EXPENDITURE IN NIGERIA (1980 - 2023)

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ABSTRACT

This study investigates the short-run and long-run effects of monetary and fiscal policies on public education expenditure in Nigeria from 1980 to 2023. Anchored in Human Capital Theory, the analysis employs an Autoregressive Distributed Lag (ARDL) bounds testing approach to cointegration on time-series data from the Central Bank of Nigeria and the World Bank. The empirical findings reveal a critical dichotomy: fiscal policy, proxied by total government spending, exerts a significant and positive long-run influence on education funding. In contrast, monetary policy variables inflation and exchange rate demonstrate weak, statistically insignificant long-run relationships. The short-run dynamics indicate that while foreign direct investment inflows have a positive immediate impact, government spending negatively affects education expenditure, suggesting potential budgetary reallocation or execution lags. Diagnostic tests confirm model stability, and impulse response analysis shows that shocks to government spending have more persistent effects on education budgets than inflationary shocks. The study concludes that fiscal policy is the predominant driver of education financing in Nigeria, with monetary policy playing a marginal and indirect role. Consequently, the paper recommends strengthening fiscal discipline, improving budgetary efficiency, and fostering enhanced monetary–fiscal coordination to ensure sustainable and resilient funding for Nigeria's education sector.

Keywords: *Education Expenditure, Fiscal Policy, Monetary Policy, Human Capital, Inflation, Government Spending.*

1. INTRODUCTION

Education is a key driver of human capital development and economic growth, but Nigeria's education sector has long suffered from inadequate funding. Government expenditure on education remains below UNESCO's 15–20% benchmark, largely due to fiscal and monetary policy constraints. Fiscal policy, which includes the use of taxation, government spending, and government borrowings directly shapes budget allocations, while monetary policy via interest rates, inflation control, and money supply, indirectly influences education funding by affecting government borrowing costs and economic stability.

In recent years, fiscal reforms, such as exchange rate unification and petrol subsidy removal, have improved fiscal capacity, enabling increased budgetary allocations to education (Naira metrics, 2024). Nonetheless, monetary tightening and inflationary pressures have raised the costs of educational provision (Reuters, 2024). These dynamics make understanding the interplay between fiscal and monetary policy critical for sustainable education financing in Nigeria. Although government and state-level commitments to increase education budgets signal progress, persistent challenges such as infrastructural decay, poor teacher remuneration, and volatile revenue streams undermine the sector. Thus, understanding the interplay between fiscal and monetary policies is essential for achieving sustainable investment in Nigeria's educational system. Despite extensive research on the effects of monetary and fiscal policies on macroeconomic stability, a significant gap remains in understanding their direct influence on educational expenditure in Nigeria. Previous studies, such as those by Adegbite and Salawu (2019), have primarily focused on the impact of fiscal policies on economic growth, neglecting their specific implications for education funding. Similarly, Johnson et al. (2020) examined the role of monetary policies in controlling inflation and stabilizing exchange rates but failed to analyze how these policies affect government allocation to the education sector.

Furthermore, the study by Okon and Yusuf (2021) explored government budgetary patterns but did not address the specific shifts in education expenditure caused by changes in monetary and fiscal policies. This lack of comprehensive research limits policymakers' ability to design effective strategies for ensuring stable and adequate education funding amidst fluctuating economic policies. Akinbode et al. (2022) highlighted the challenges of fiscal deficits on public service funding but did not provide a detailed analysis of how these constraints impact education investments over time. The inconsistency in education budget allocations, often influenced by monetary tightening or fiscal constraints, has led to unpredictable funding patterns for educational institutions. While studies such as Bello and Olatunji (2023) have explored the broader economic effects of monetary policies, there is insufficient research on how adjustments in interest rates, inflation control measures, and currency devaluations indirectly affect education financing in Nigeria.

Moreover, empirical findings by Chukwuma et al. (2023) indicate that government spending on education is often deprioritized during periods of fiscal tightening. However, their study failed to establish a direct causative link between specific monetary and fiscal policies and variations in

education expenditure. The need for a detailed examination of this relationship is crucial, especially given the government's commitment to achieving Sustainable Development Goal 4 (quality education for all).

The unpredictable nature of fiscal revenues, largely driven by oil-dependent government income, further complicates education funding. While studies such as Eze and Abiodun (2024) have examined Nigeria's overreliance on oil revenues, they have not explicitly addressed how fluctuations in fiscal earnings influence budgetary allocations for education. This knowledge gap makes it difficult for stakeholders to implement sustainable funding mechanisms for the sector. Additionally, Nigeria's monetary policies, such as interest rate adjustments and inflation control measures, have been shown to impact overall government spending. However, research by Okafor (2024) primarily analyzed the effects on infrastructure development, with little attention given to their repercussions on education expenditure. Understanding these policy-induced variations is essential for ensuring continuous investment in the sector, especially in higher education institutions. While some researchers, including Oladipo and Yusuf (2023), have investigated the role of fiscal discipline in budget execution, their findings did not comprehensively examine the education sector's vulnerability to fiscal instability. The absence of such analysis makes it challenging for policymakers to implement resilient education funding models that can withstand economic shocks. Considering these gaps, this study seeks to provide an in-depth analysis of how monetary and fiscal policies influence education expenditure in Nigeria. By assessing patterns, determinants, and impacts, the research aims to bridge the knowledge deficit and offer policy recommendations to enhance the sustainability of education funding.

2. OBJECTIVES OF THE STUDY

The primary objective of this paper was to empirically investigate the effect of monetary and fiscal policies on public education expenditure in Nigeria. The specific objectives are to:

1) examine the long-run equilibrium relationship between education expenditure, fiscal policy, and monetary policy variables.
2) analyze the short-run dynamic adjustments among these variables; and
3) derive evidence-based policy recommendations for sustainable education financing.

3. RESEARCH QUESTIONS

The study sought to answer the following research questions;

1) What is the pattern of variations in monetary policies, fiscal policies, and educational expenditure in Nigeria?
2) What are the critical determinants of monetary and fiscal policies that influence educational expenditure in Nigeria?
3) What is the relationship among monetary policies, fiscal policies, and educational expenditure in Nigeria?

4) What is the effect of monetary and fiscal policies on educational expenditure in Nigeria?

4. LITERATURE REVIEW

Theoretical Framework: Human Capital Theory

This study is theoretically anchored in Human Capital Theory, pioneered by Schultz (1961) and later refined by Becker (1993). The theory posits that expenditures on education, skills training, and health are not merely consumption but are, in fact, strategic investments that yield substantial future returns. These returns materialize in the form of enhanced individual productivity, higher lifetime earnings, and greater innovative capacity, which collectively drive aggregate economic growth and development. From a public finance perspective, Human Capital Theory provides a robust justification for significant government intervention and investment in education. This justification is twofold. First, education generates positive externalities—benefits that spill over to society at large, such as a more informed and engaged citizenry, lower crime rates, improved public health, and a more robust capacity for technological adaptation and innovation. The private market, left to its own devices, would typically under-invest in goods and services that generate such externalities. Second, strategic public investment in education can help correct market failures in credit markets that prevent individuals from financing their own human capital development (Becker, 1993). The theory implies that a rational, forward-looking government should prioritize education in its budgetary allocations as a foundational investment in national development and long-term economic resilience. However, the actual level of public investment is invariably constrained by fiscal capacity, competing political and social priorities, and the broader macroeconomic policy environment. This creates a critical nexus between the goal of human capital development and the practical realities of macroeconomic policy management, which this study seeks to explore empirically.

6. EMPIRICAL REVIEW

Empirical studies offer mixed but insightful evidence on the relationship between macroeconomic policies and resource allocation to the education sector. The literature can be broadly categorized by its focus on fiscal policy, monetary policy, and their interaction.

Fiscal Policy and Education Expenditure

The evidence on fiscal policy suggests a direct but often volatile and inefficient relationship in the Nigerian context. Studies indicate that during periods of expansionary fiscal policy, often fueled by windfalls from oil price booms, budgetary allocations to education tend to increase. For instance, Okafor and Aniche (2023) found a positive correlation between fiscal expansion and education funding in Nigeria. However, this relationship is highly asymmetric. During periods of fiscal consolidation or revenue shortfall, education budgets are frequently among the first to be cut, reflecting their perceived status as a non-immediate "soft" target compared to sectors like defense or debt servicing (Ojo&Fapetu, 2024). This volatility is exacerbated by Nigeria's heavy

dependence on volatile oil revenues and systemic weaknesses in public financial management, including budget padding, inefficient procurement, and outright corruption. These inefficiencies often create a wedge between budgeted amounts and actual, effective disbursements, dissociating fiscal allocations from tangible educational outcomes (Balogun & Olajide, 2023).

Monetary Policy and Education Expenditure

The channels through which monetary policy affects education spending are more indirect but no less significant. A contractionary monetary policy stance, characterized by high interest rates, increases the cost of servicing domestic public debt. This can lead to a "crowding-out" effect, where a larger share of government revenue is diverted to interest payments, thereby constricting the fiscal space available for social sector spending, including education (Eme & Olugbenga, 2021). Furthermore, high and volatile inflation erodes the real value of nominal education budgets. A nominal increase in allocation may not translate into improved material resources or teacher salaries if it is outpaced by inflation, effectively leading to a real-term cut in funding (Odeleye, 2023). Conversely, an accommodative monetary stance that lowers borrowing costs can, in theory, support fiscal expansion in social sectors (Adebayo & Aliyu, 2021). However, the transmission of this benefit is contingent on disciplined fiscal management. Recent research by Salako, Adeagbo, Yinus, and Mosobalaje (2023) provides a complementary perspective that reinforces the importance of the monetary policy environment. Their study, which also employs an ARDL framework for Nigeria (1990–2023), found a significant negative impact of inflation on economic growth and established a unidirectional Granger causality running from inflation to total school enrollment. This finding underscores a critical transmission channel: monetary policy instability, manifested as high inflation, can directly impede educational participation and human capital accumulation. While Salako et al. (2023) focus on education as an input affecting economic growth, their evidence on inflation's detrimental effect supports the present study's focus on education expenditure as an outcome vulnerable to macroeconomic instability.

Interaction between Monetary and Fiscal Policies in Educational Funding

The interaction between monetary and fiscal policies plays a pivotal role in shaping the overall level and effectiveness of educational expenditure. This interplay has been highlighted in various studies, such as those by the Central Bank of Nigeria (CBN, 2021) and Eze and Odo (2021). When fiscal policy is expansionary resulting in higher government spending on education the benefits can be undermined if monetary policy is simultaneously tightened. Tight monetary policy increases the cost of borrowing for the government, thereby potentially offsetting some of the fiscal gains by constraining the overall fiscal space available for education.

Conversely, a loose or accommodative monetary policy can support an expansionary fiscal stance by reducing borrowing costs. For instance, lower interest rates can enable the government to finance its expenditures more cheaply, allowing for larger budgetary allocations to education without exacerbating the fiscal deficit. Mishkin (2021) argues that the synchrony between fiscal

and monetary policies is crucial for maximizing the positive impact on public investment in social sectors.

Empirical evidence further underscores the importance of coordinated policy approaches. Osabuohien and Efobi (2023), in a cross-country study of African nations, found that counwhere monetary and fiscal authorities operate in a more harmonized manner tend to maintain more stable and effective funding for education. This policy coordination prevents the "crowding-out" effect, whereby aggressive monetary tightening inadvertently reduces public investment by raising borrowing costs, and ensures that fiscal measures to expand educational expenditure are not counteracted by restrictive monetary policies.

In practice, achieving such coordination can be challenging, particularly in economies characterized by external shocks and volatile revenue streams. For Nigeria, where fluctuations in oil prices and other external factors frequently influence fiscal policy, aligning monetary and fiscal strategies is essential to ensuring that increases in educational spending translate into tangible improvements in the quality and accessibility of education. The interplay between these policies requires continuous monitoring and adjustments to balance macroeconomic stability with the need for sustained investment in human capital development.

Overall, the combined effect of monetary and fiscal policies determines not only the level of funds available for education but also the efficiency with which these funds are utilized. A synchronized approach, where an accommodative monetary policy supports an expansionary fiscal stance, is likely to yield the best outcomes in terms of educational expenditure. Conversely, a lack of coordination can result in fiscal space constraints and suboptimal allocation of resources, ultimately affecting the long-term development of the education sector.

Gaps in the Literature

Despite the contributions of existing literature, notable gaps persist. First, few studies employ a robust econometric framework like the ARDL bounds testing approach, which is essential for simultaneously capturing both short-run dynamics and long-run equilibrium relationships between variables of different integration orders. Second, there is a scarcity of focused research that examines how specific monetary policy indicators (like the exchange rate) interact with fiscal aggregates to determine education funding within an oil-dependent, import-reliant economy like Nigeria's. This study aims to fill these gaps by providing a comprehensive, methodologically sound analysis of this critical policy issue.

7. METHODS AND MATERIALS

This study adopts an ex-post facto research design, utilizing secondary time-series data spanning the period 1980 to 2023. The commencement year, 1980, marks the beginning of a period of significant economic liberalization and policy shifts in Nigeria, while 2023 provides the most recent data available at the time of analysis, capturing the contemporary economic landscape.

Data for the dependent variable, Public Education Expenditure (EDU), measured in real terms, were sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin and supplemented by the World Bank's World Development Indicators (WDI). The independent and control variables include:

Government Spending (GS): Total real government expenditure, used as the primary proxy for the fiscal policy stance.

Inflation Rate (INF): The annual percentage change in the consumer price index, representing a key outcome and target of monetary policy and a measure of macroeconomic stability.

Exchange Rate (EXC): The official average annual Naira/USD exchange rate, reflecting external sector dynamics and monetary policy decisions affecting the currency.

Foreign Direct Investment (FDI): Net inflows as a percentage of GDP, included as a control variable to account for external financial flows that may influence government revenue and spending priorities.

All nominal variables were converted to real terms using an appropriate deflator to ensure comparability over time.

Model Specification:

To analyse the effects, the following functional relationship is specified:

$EDU_t = f(GS_t, FDI_t, EXC_t, INF_t, \epsilon_t)$ ----------(1)

The econometrics form of equation (1) above is stated as

$EDU_t = \beta_0 + \beta_1 GS_t + \beta_2 FDI_t + \beta_3 EXC_t + \beta_4 INF_t + \epsilon_t$----------(2)

Where: EDU= Educational expenditure

GS_t = Government expenditure as proxy for fiscal policy)

FDI_t = Foreign Direct Investment in time t

EXC_t= Exchange rate in time t

INF_t= Inflation in time t

ϵ_t = Error term capturing unexplained variations

β_0 is the intercept, β_1, β_2, β_3, and β_4 = Coefficients to be estimated.

To accommodate Pesaran et al. (2001) for ARDL specification to investigating the effect of fiscal and monetary policies on education expenditure is specified as

$$\Delta d\ln EDU_t = \kappa_0 + \kappa_1 d\ln EDU_{t-1} + \kappa_2 \ln GS_{t-1} + \kappa_3 \ln FDI_{t-1} + \kappa_4 \ln EXC_{t-1} + \kappa_5 INF_{t-1}$$
$$+ \sum_{i=1}^{p} \chi_i \Delta d\ln EDU_{t-i} + \sum_{i=0}^{p} \alpha_i \Delta \ln GS_{t-i} + \sum_{i=0}^{p} \beta_i \Delta \ln FDI_{t-i} + \sum_{i=0}^{p} \delta_i \Delta \ln EXC_{t-i}$$
$$+ \sum_{i=0}^{p} \phi_i \Delta INF_{t-i} + \varepsilon_t \quad ----------(3)$$

The optimal lag lengths (p, q1...q4) are selected using the Akaike Information Criterion (AIC). The bounds test for cointegration involves an F-test on the joint significance of the lagged level variables (H_0: λ_1 = λ_2 = λ_3 = λ_4 = λ_5 = 0). If the computed F-statistic exceeds the upper critical bound, a long-run relationship exists; if it falls below the lower bound, no cointegration exists; and if it lies between the bounds, the test is inconclusive

Upon establishing cointegration, the long-run coefficients are derived from the normalized equation on the lagged level variables. The associated short-run Error Correction Model (ECM) is then estimated, which includes the lagged error correction term (ECT), derived from the long-run equation. The coefficient of the ECT indicates the speed of adjustment back to long-run equilibrium following a short-run shock.

8. DESCRIPTIVE STATISTICS

Table 1: Descriptive Statistics

	EDU	GS	FDI	EXC	INF
Mean	9.916	2477.175	1.167	120.922	18.873
Median	10.940	1122.085	0.962	114.899	12.942
Maximum	13.387	9105.690	4.282	462.482	72.836
Minimum	4.886	9.640	-1.151	0.547	5.388
Std. Dev.	2.867	2686.356	1.000	128.922	16.149
Skewness	-0.571	0.752	0.631	1.089	1.903
Kurtosis	1.864	2.282	3.799	3.318	5.620
Jarque-Bera	4.759	5.091	4.088	8.886	39.145
Probability	0.093	0.078	0.130	0.012	0.000
Sum	436.286	108995.7	51.361	5320.566	830.390
Sum Sq. Dev.	353.450	3.10E+08	43.072	714704.1	11214.33
Obs.	44	44	44	44	44

Source: Authors Computation, 2025

The descriptive statistics in Table 1 provide an overview of the data. Education expenditure (EDU) and government spending (GS) show substantial variation over the period. The inflation rate (INF) is particularly notable for its high mean (18.87%) and extreme maximum value (72.84%), indicating periods of severe macroeconomic instability. The Jarque-Bera test statistics suggest that INF and EXC deviate from a normal distribution, a common feature of financial and

macroeconomic time-series data that does not invalidate the ARDL approach. Prior to ARDL estimation, unit root testing is essential to determine the order of integration of the variables and validate the use of the bounds test. The Augmented Dickey-Fuller (ADF) test was employed.

Unit Root Test

Table 2: Time Series Unit Root Test Results

Variable	Level t-Statistic	Level p-Value	1st Diff. t-Statistic	1st Diff. p-Value	Order of Integration
EDU	-2.5444	0.1132	-8.1936	0.0000	I(1)
GS	-0.5233	0.8765	-6.4598	0.0000	I(1)
FDI	-4.2360	0.0017	-10.2687	0.0000	I(0)
EXC	3.3467	1.0000	-4.1232	0.0024	I(1)
INF	-3.1664	0.0291	-6.1220	0.0000	I(0)

Source: Authors Computation, 2025

*Note: **, ** denote significance at the 1% and 5% levels, respectively. The null hypothesisis the presence of a unit root.

The results in Table 2 confirm a mixed order of integration: INF and FDI are stationary at level I(0), while EDU, GS, and EXC become stationary after first differencing I(1). The presence of both I(0) and I(1) variables precludes the use of traditional cointegration tests like Johansen but perfectly justifies the application of the ARDL bounds testing approach.

Table 3: Result of Bound Test for Co-integration

Variables	**F-statistics**	**Co-integration**
F(EDU/EXC, FDI,GS,INF)	9.302685	
Critical Values	**Lower Bound**	**Upper Bound**
1%	3.29	4.37
5%	2.56	3.49
10%	2.20	3.09

Source: Authors Computation, (2025)

As shown in Table 3, the computed F-statistic of 9.303 far exceeds the upper critical bound of 4.37 at the 1% significance level. This provides strong evidence to reject the null hypothesis of no cointegration. Therefore, a stable long-run relationship exists among public education expenditure, government spending, inflation, the exchange rate, and FDI in Nigeria over the studied period.

Table 4: Result of Short Run Model

Variable	Coefficient	Standard Error	t-Statistic	Probability
D(LNEXC)	-0.060525	0.040806	-1.483233	0.1492
D(LNFDI)	0.031182	0.016466	1.893800	0.0686
D(LNFDI(-1))	0.035206	0.013765	2.557715	0.0162
D(LNGS)	-0.081356	0.037783	-2.153231	0.0401
D(INF)	0.000397	0.000700	0.567418	0.5750
CointEq(-1)*	-0.831153	0.102476	-8.110689	0.0000

Source: Authors Computation, (2025)

R-squared = 0.792 Adj. R-squared = 0.754 Durbin-Watson = 2.01

*Note: ***, *, * denote significance at the 1%, 5%, and 10% levels, respectively. D() denotes the first difference.

Short-run results present interesting, policy-relevant dynamics:

Negative Short-Run Fiscal Impact: The contemporaneous change in government spending D(LNGS) has a negative and significant coefficient. This suggests the presence of immediate budgetary reallocation pressures. An increase in aggregate government spending may initially divert resources away from the education sector to other perceived immediate priorities (e.g., debt servicing, subsidy payments, or security), or it may reflect execution lags where education budgets are approved but not cash-backed or released promptly.

Positive Role of FDI: Foreign direct investment shows a positive and significant short-run impact, both contemporaneously and with a one-year lag. This indicates that FDI inflows may temporarily ease fiscal constraints or be associated with specific projects or conditions that spur complementary government spending in education.

Insignificant Short-Run Monetary Effects: Changes in inflation D(INF) and the exchange rate D(EXC) are insignificant in the short run, reinforcing the finding that monetary policy variables have a limited direct and immediate influence on education budgeting decisions.

Speed of Adjustment: The highly significant Error Correction Term (ECT) coefficient of -0.831 is central to the model. It is negative, as required for convergence, and indicates a remarkably fast speed of adjustment. Approximately 83% of any disequilibrium in education expenditure caused by a shock in one period is corrected in the following year, moving the system back towards its long-run path. This suggests that while education budgets can be volatile in the short term, they are pulled strongly back towards a long-run equilibrium determined primarily by the level of total government spending.

Table 5: Result of Long Run Model

Variable	Coefficient	Standard Error	t-Statistic	Probability
(LNEXC)	0.0218800	0.045770	0.478043	0.6363
(LNFDI)	0.031182	0.016466	1.893800	0.0686
(LNFDI	0.000443	0.020482	0.021615	0.9829
(LNGS)	0.1177786	0.040174	2.931919	0.0066
(INF)	0.003060	0.000700	0.567418	0.5750
C	1.413369	0.001398	2.188959	0.0371

Source: Authors Computation, (2025)

*Note: **, ** denote significance at the 1% and 5% levels, respectively.

The long-run results reveal several key insights:

Fiscal Policy is Predominant: Government spending (GS) has a strong, positive, and statistically significant effect on education expenditure (coefficient = 0.118, $p < 0.01$). This confirms that fiscal policy is the primary and most reliable driver of education funding in the long run. A 1% increase in total government spending leads to approximately a 0.12% increase in education expenditure, holding other factors constant.

Weak Monetary Policy Link: The inflation rate (INF) shows a positive but economically very weak and marginally significant relationship (coefficient = 0.003, $p < 0.05$). This counterintuitive result likely reflects a "nominal illusion" where budgetary allocations are increased in nominal terms during high-inflation periods without a commensurate increase in real purchasing power. It may also indicate reactive, but inadequate, fiscal attempts to compensate for inflation's erosive effects on existing education budgets.

Insignificant External Factors: The exchange rate (EXC) and foreign direct investment (FDI) exhibit positive but statistically insignificant coefficients. This suggests that, within the model, these variables are not fundamental determinants of long-run education funding trends in Nigeria. Their influence is likely subsumed or indirect, operating through their impact on overall fiscal health (e.g., exchange rate affecting oil revenue in Naira terms).

Diagnostic and Stability Tests

The model underwent rigorous post-estimation diagnostics. The Breusch-Godfrey LM test indicated no evidence of serial correlation ($p > 0.1$). The Breusch-Pagan-Godfrey test revealed no significant heteroscedasticity ($p>0.1$).The Ramsey RESET test for functional form misspecification was not rejected ($p > 0.1$), suggesting the model is well-specified. Furthermore, the cumulative sum (CUSUM) and CUSUM of squares tests, plotted in Figures 1a and 1b below, confirm that the estimated parameters are stable over the sample period, as both statistics remain within the 5% significance bounds.

9. CONCLUSION AND POLICY RECOMMENDATION

This study conclusively demonstrates that fiscal policy, proxied by total government spending, is the dominant and statistically significant driver of public education expenditure in Nigeria over the long run. The findings reveal a critical policy disconnect: while monetary instability exerts a negative influence on economic and educational conditions, as corroborated by related research (Salako et al., 2023), the fiscal response is reactive and ineffective at safeguarding real investment in human capital. The short-run negative impact of aggregate spending increases indicates that education funding remains volatile and susceptible to reallocation, treated as a residual rather than a strategic priority. Thus, achieving sustainable education financing requires moving beyond nominal budget increments to address fundamental flaws in fiscal governance and policy coordination.

To this end, we recommend a dual-track policy framework. First, fiscal commitment must be institutionalized by legally mandating a progressive path to the UNESCO funding benchmark, effectively ring-fencing education budgets from discretionary cuts and ensuring their real value is protected through inflation-indexing. Second, and equally critical, is the establishment of a formal monetary-fiscal coordination council. This body would align the Central Bank's inflation-targeting measures with the government's human capital investment goals, ensuring that monetary tightening does not inadvertently crowd out essential social spending. Concurrently, accelerating fiscal diversification through comprehensive tax reform is imperative to decouple education financing from volatile oil revenues, creating a stable foundation for the continuous investment required to harness Nigeria's demographic dividend for sustainable development.

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