Nigeria: Fiscal Vulnerabilities and Post-COVID-19 Reform Imperatives

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Vulnerability 1: Low Revenues, A Large Part Spent on Debt Service

Nigeria and Selected Comparators: Revenue, 2019 (Percent of GDP)

- Total Revenue
- Non-oil Revenue

12.75 percent: minimum tax-to-GDP ratio for accelerated growth and development outcomes (Gaspar et al. 2016)

Federal Government spending on interest payment (Percent of FGN revenue)

Sources: World Economic Outlook

Sources: IMF Staff Calculations.
## Vulnerability 2: Limited Savings from Oil Wealth

### Comparative assessment of SWFs

<table>
<thead>
<tr>
<th>Country</th>
<th>Purpose</th>
<th>Size ($bil)</th>
<th>Size per capita ($/per person)</th>
<th>% of Budget (2020)</th>
<th>Pop (mil)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway</td>
<td>Stabilisation, Savings</td>
<td>1,186</td>
<td>228,076</td>
<td>3720</td>
<td>5.2</td>
</tr>
<tr>
<td>Angola</td>
<td>Savings, Development</td>
<td>3.49</td>
<td>135</td>
<td>17.8</td>
<td>25.8</td>
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<td>Botswana</td>
<td>Stabilisation, Savings</td>
<td>4.1</td>
<td>1,782</td>
<td>80.1</td>
<td>2.3</td>
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<td>Russia</td>
<td>Stabilisation, Saving</td>
<td>171.9</td>
<td>1,198</td>
<td>61.8</td>
<td>143.4</td>
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<tr>
<td>Kuwait</td>
<td>Stabilisation, Savings</td>
<td>592</td>
<td>148,000</td>
<td>718.7</td>
<td>4</td>
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<tr>
<td>Nigeria</td>
<td>Stabilisation, Savings, Development</td>
<td>1.5</td>
<td>8</td>
<td>2.9</td>
<td>186.9</td>
</tr>
</tbody>
</table>

Vulnerability 3: Fragile Sovereign Risk Perception Tied to Oil Price

Oil price and sovereign spread

Sources: Central Bank of Nigeria, Bloomberg.

$r = -0.72$
Vulnerability 4: Central Bank Financing of Budget Deficit Complicates Monetary Policy and Affects Confidence

Central Bank Lending to Government
(Naira billion, cumulative)

Sources: Central Bank of Nigeria, Debt Management Office
Policy Imperative 1: Raise Tax Efficiencies

Sources: IMF, World Economic Outlook database; and IMF staff estimates
Policy Imperative 2: Complete Revenue Administration Reforms

- Optimization of existing taxes
- Modernization and innovation, e.g., e-tax
- Tax expenditure

- Tax base broadening
- Strengthening tax administration
- Comprehensive monitoring, reporting, and publication of tax exemptions
- Specialized taxes, e.g., property tax

- Basic institutions, e.g., revenue authority
- Basic taxes, e.g., VAT
- Limited exemptions
- Identification of taxpayers
- Basic enforcement and taxpayer segmentation
- Basic technical resources, e.g., IT system

Source: IMF Sub-Saharan Africa Regional Economic Outlook, April 2018
Policy Imperative 3: Improve Perception of Governance

Corruption Control and Attitude Toward Tax Cheating

Sources: Worldwide Governance Indicators; and IMF, World Economic Outlook Database. Revenue data is the average of 2015–2017 (excludes oil exporters). Control of corruption ranges between -2.5 to 25 with higher number indicting stronger corruption of control. The box in the RHS chart shows 25th to 75th percentile, the line represents median and the whiskers represent top and bottom 5 percent.