



**AFRICAN
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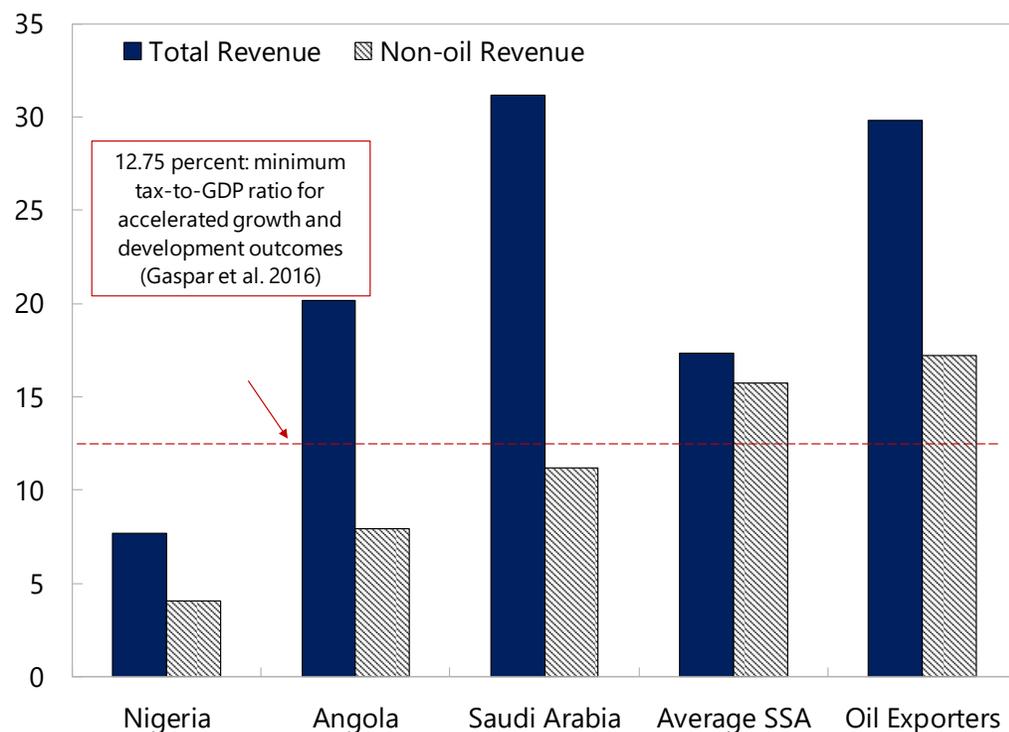


Nigeria: Fiscal Vulnerabilities and Post-COVID-19 Reform Imperatives

Jesmin Rahman
IMF Mission Chief for Nigeria
NESG Fiscal Policy Roundtable
June 23, 2020

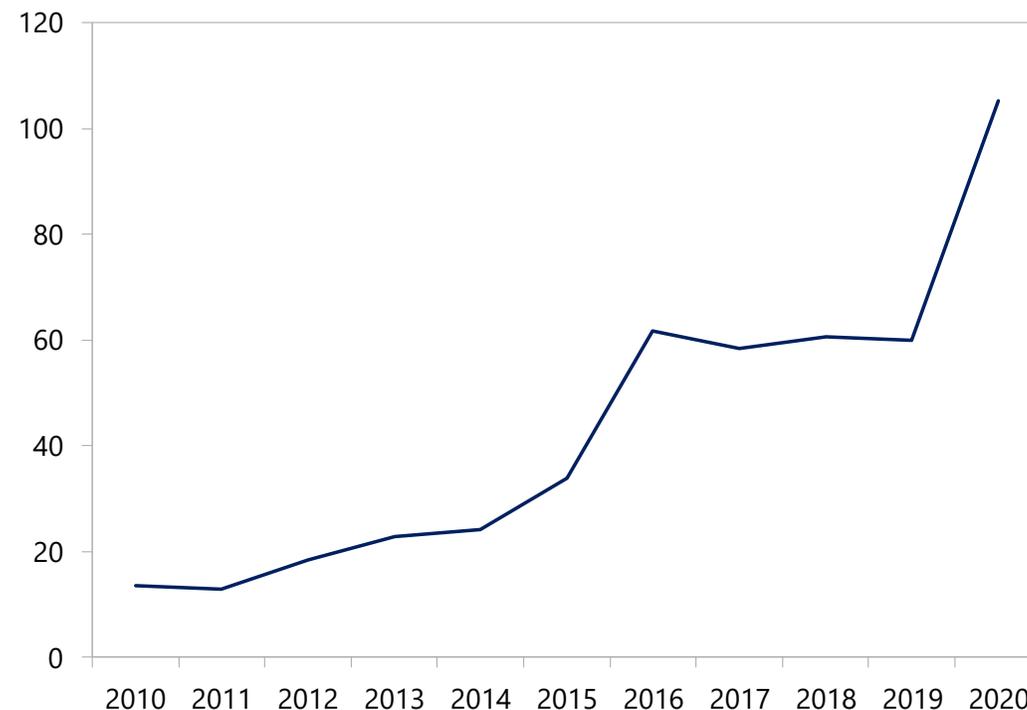
Vulnerability 1: Low Revenues, A Large Part Spent on Debt Service

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



Sources: World Economic Outlook

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



Sources: IMF Staff Calculations..

Vulnerability 2: Limited Savings from Oil Wealth

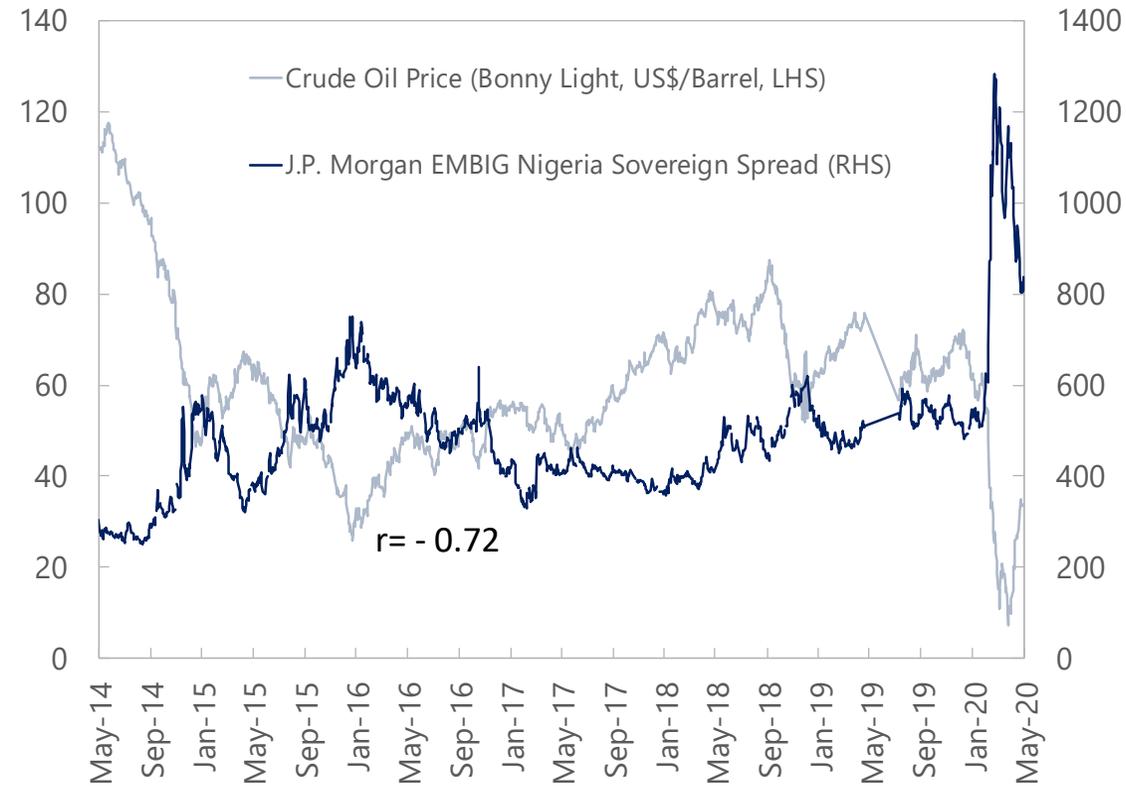
Comparative assessment of SWFs

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

Sources: "The Case for a Robust Oil Savings Fund for Nigeria". NEITI Occasional Paper Series. Issue 2, July 2017.
SWF size for 2020 provided by IMF.

Vulnerability 3: Fragile Sovereign Risk Perception Tied to Oil Price

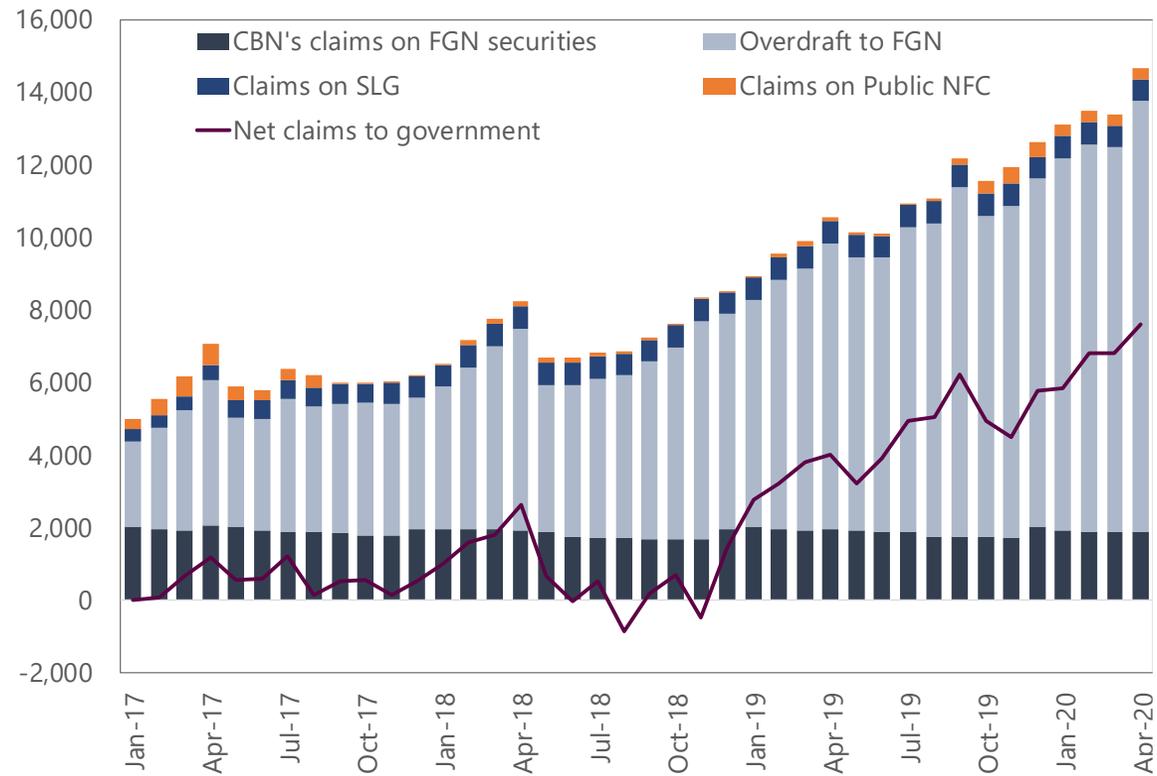
Oil price and sovereign spread



Sources: Central Bank of Nigeria, Bloomberg.

Vulnerability 4: Central Bank Financing of Budget Deficit Complicates Monetary Policy and Affects Confidence

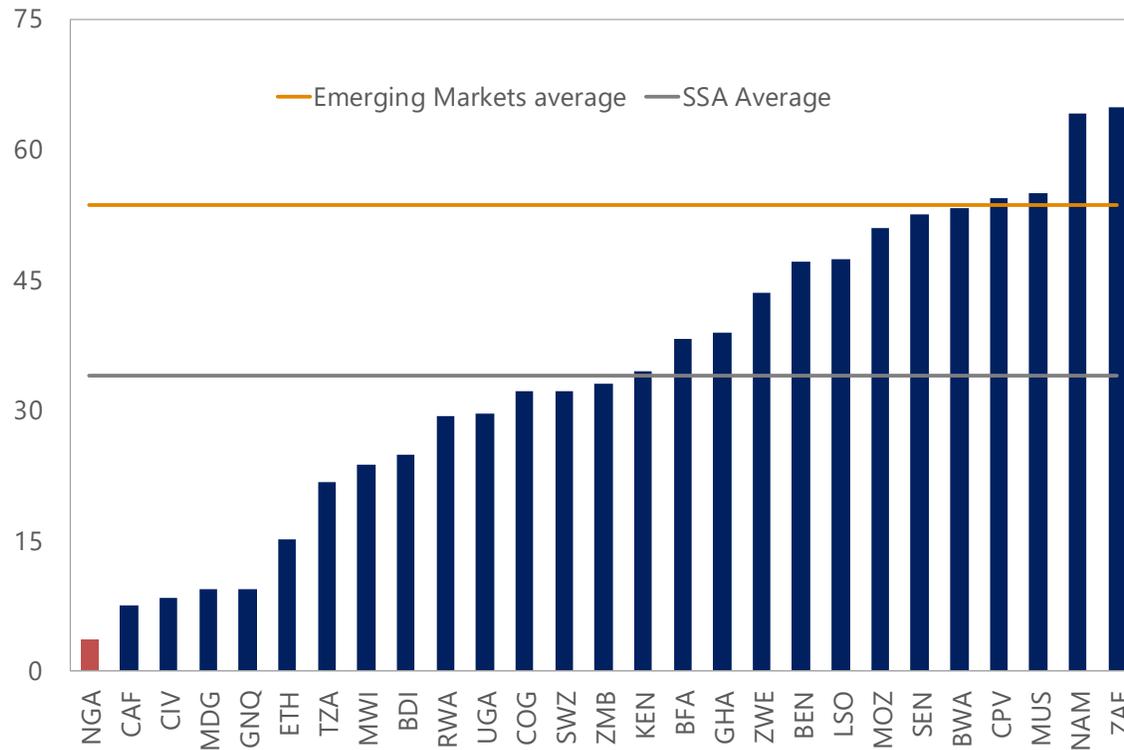
Central Bank Lending to Government
(Naira billion, cumulative)



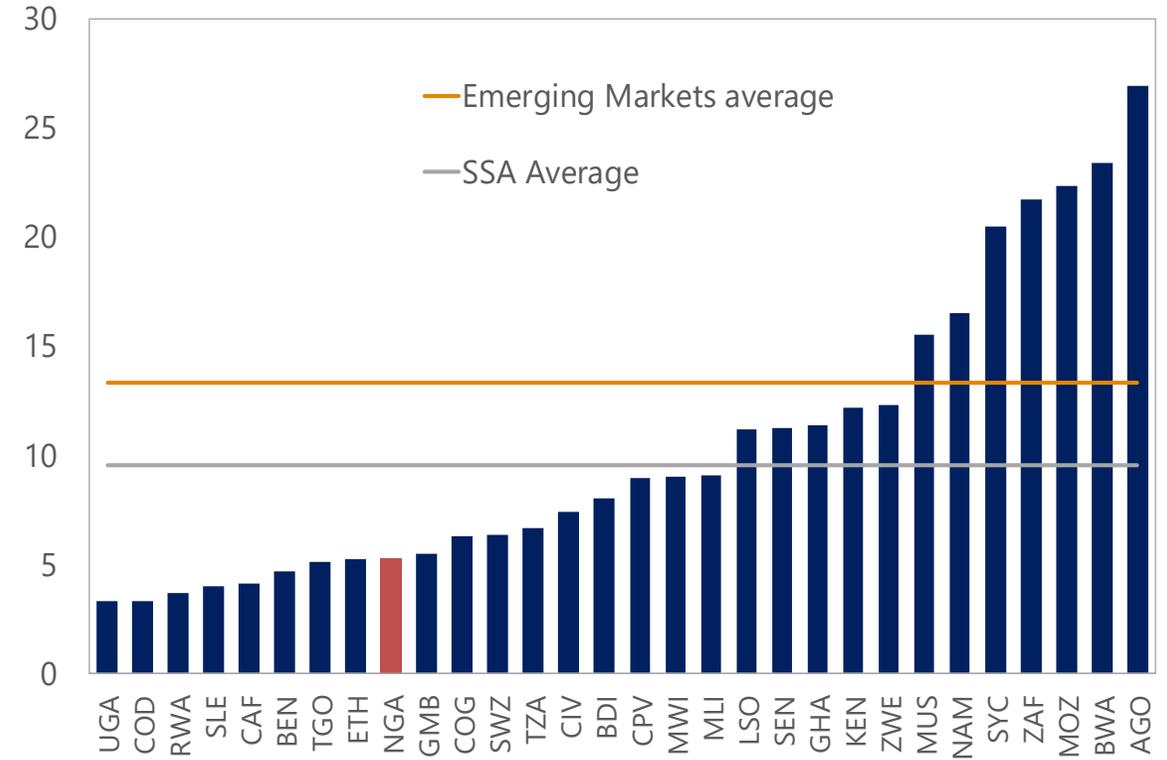
Sources: Central Bank of Nigeria, Debt Management Office

Policy Imperative 1: Raise Tax Efficiencies

Nigeria and Peers: Vat C-Efficiency (Percent)

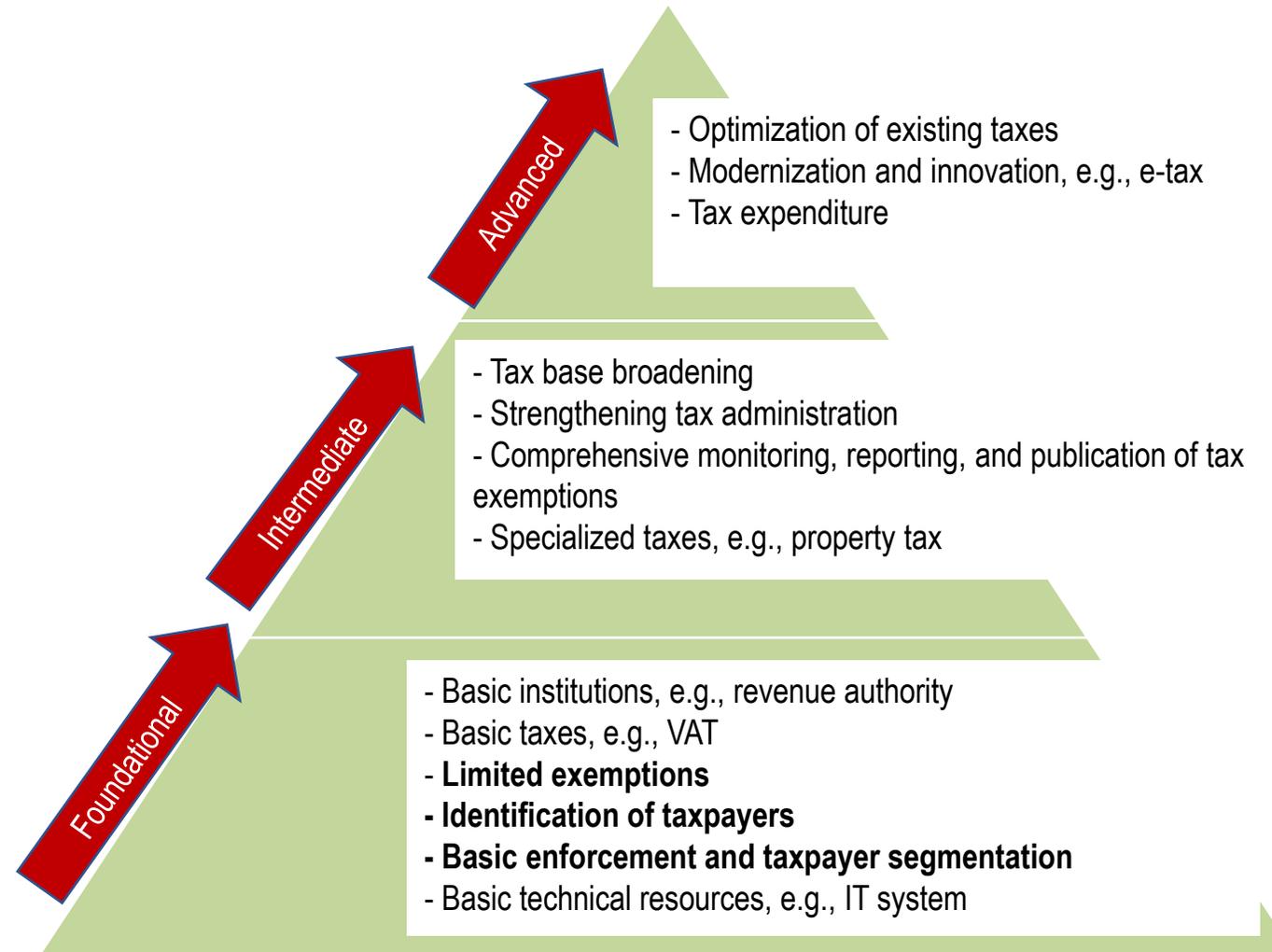


Nigeria and Peers: CIT Productivity (Percent)



Sources: IMF, World Economic Outlook database; and IMF staff estimates

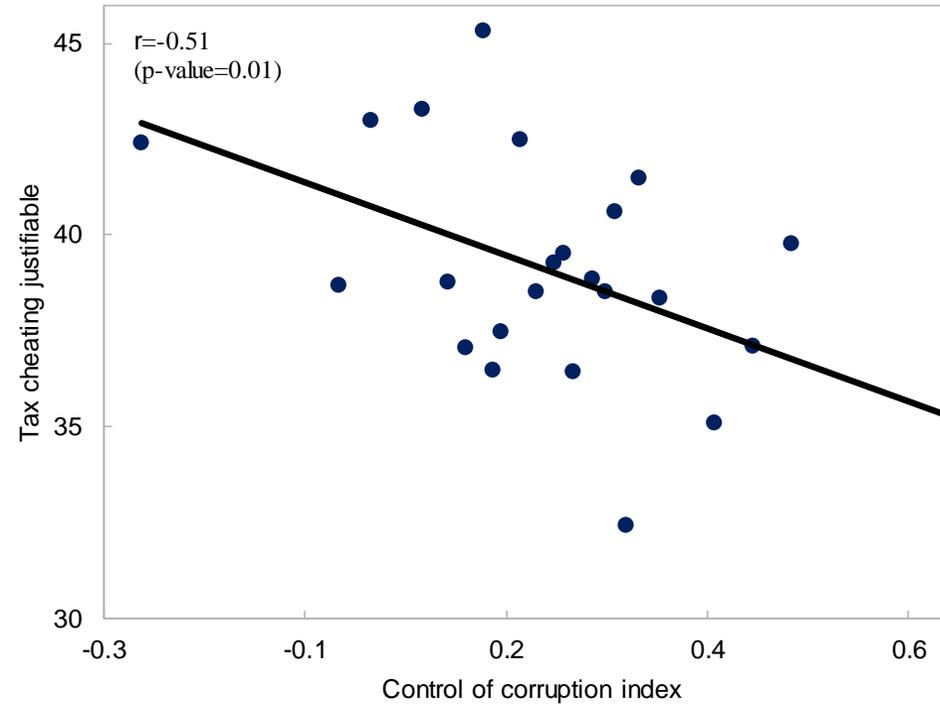
Policy Imperative 2: Complete Revenue Administration Reforms



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 indicating 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.