

I. COUNTRY REFORM PROGRESS

Nigeria has undertaken significant reforms since 2023, strengthening macroeconomic stability and resilience. Key measures have included monetary and exchange rate reforms, the removal of fuel subsidies, and tax policy and administration reforms. These actions have helped stabilize the foreign exchange market and rebuild international reserves. Portfolio inflows have resumed, Nigeria has regained access to external markets, inflation has begun to ease, and improved security conditions have supported a recovery in oil production and agricultural output.

Growth reached 3.4 percent in 2024 and is estimated at 4.2 percent in 2025, driven by agriculture, real estate, and the information and communication sector, alongside improvements in oil and gas activity. Growth is projected to reach 4.4 percent in 2026. Notwithstanding these gains, Nigeria remains a fragile and conflict-affected state, facing significant capacity constraints. The benefits of reforms and higher growth have yet to reach most Nigerians: poverty remains high at 56 percent (national poverty line), and about 27 million people faced food insecurity in the fall of 2025. More recently, institutional changes have reallocated the powers of the Minister of Finance, with the State Minister assuming responsibility for spending and other core functions.

Supported by fuel subsidy removal, exchange rate adjustment, and improvements in tax administration, total revenue performance increased in 2024, reaching 10.8 percent of GDP. In 2025, total revenue is expected to have remained broadly stable, with oil revenues at about 3 percent of GDP, non-oil revenues declining slightly from 6.8 to 6.4 percent of GDP, and grants falling from 0.9 to 0.2 percent of GDP—a total of 9.6 percent. Driven in part by tax administration reforms, domestic revenue performance has shown sustained growth since 2020, with tax revenue as a share of GDP rising steadily over the past five years. While this progress remains insufficient to fully address Nigeria’s development and financing needs, it reflects a consistent upward trajectory.

This capacity development (CD) project supported reforms in revenue administration across tax, customs, and extractive industries (EI). Improvements in tax administration performance are largely attributed to the continued strengthening of information technology (IT) systems, particularly the expansion of electronic services for taxpayers. The use of third-party information to encourage voluntary compliance and support compliance risk management (CRM) is advancing, including a value-added tax (VAT) gap analysis, albeit at a slower pace. CD in EI revenue administration has continued to support the authorities in building industry expertise and strengthening audit capabilities. In customs, no CD was delivered in FY26; however, trade facilitation reforms remain critical. Authorities are continuing work guided by the April 2025 IMF mission, which supported the National Single Window (NSW) and identified key procedural reforms. While progress on the NSW continues, legacy systems and limited process redesign remain important implementation constraints.

II. PROJECT DELIVERY HIGHLIGHTS

RM II: Revenue Module II – Revenue Administration

Key Progress in FY26: *Tax administration:* HQ-mission to follow up with reforms implementation and align enforcement activities with CRM. GPFP also supported tax arrears management and VAT gap analysis. *Extractive Industries:* Ongoing CD initiatives have continued to strengthen the authorities’ audit capabilities and technical expertise, with a particular emphasis on improving the capacity to manage and mitigate international tax risks. *Customs:* No CD activities were conducted in-country during the reporting period. The

authorities continued work initiated under the April 2025 FAD mission, which supported the implementation of a comprehensive Single Window (SW) system aligned with international best practices.

Previous Progress: *Tax administration:* CD helped develop a medium-term reform plan. GPFP also supports a tax long-term resident advisor. A subnational Tax Administration Diagnostics Assessment Tool evaluation was delivered to Lagos state. *Extractive Industries:* CD activities have enhanced the ability of the Federal Inland Revenue Service (FIRS) to recognize and address international tax risks in the extractive industries, aided by the provision of practical guides on the primary international tax risk categories. *Customs:* Progress was achieved in redesigning import and export processes and aligning procedures, data flows, and system architecture with international best practices, establishing a foundation for the ongoing SW project.

Next Steps: *Tax administration:* CD will focus on priorities coming from the July 2025 tax law package of four laws, including the establishment of the Nigeria Revenue Service (NRS) and aligning NRS' core functions with CRM strategy. *Extractive Industries:* Efforts will remain centered on further reinforcing audit capacity and technical skills, with a priority on finalizing the oil and gas compliance improvement plan. *Customs:* Support is expected to resume in 2026, focusing on operationalizing the SW project

III. LOGICAL FRAMEWORK

Country – Nigeria		
Objective – Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM		Rating - 3
Outcome	Rating	Narrative
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	3 Largely Achieved	The Medium-Term Strategic Plan was approved in June 2025. However, in July 2025, the government approved a full package of four laws affecting the medium-term scenario of the tax administration: the (2) Nigeria Tax Act; (2) Tax Administration Act; (3) the Nigeria Revenue Service Act; and (4) the Joint Revenue Board Act). The new fiscal reforms laws will require substantial efforts from the NRS, which is the new tax administration replacing the FIRS. The NRS needs to focus on implementing positive revenue measures during to prevent potential shortfalls caused by changes in tax policy. To manage reform effectively, NRS will need to create a comprehensive program that covers risk analysis, governance, and project coordination. Clear communication, prioritizing key initiatives, and coordinating donor support will be essential for successful implementation. Medium-Term Strategic Plan and operational plans may need to be revisited.

Corporate priorities are better managed through effective risk management	3 Largely Achieved	The FIRS has made CRM a core part of its reforms with GPFP support. A pilot program to improve VAT compliance was successfully implemented and is now an approved CRM tool across the organization. GPFP also supported review of draft CRM documents, that is, a multi-year Compliance Strategy and CRM Governance Framework. The VAT gap estimate analysis conducted with GPFP support integrated and informed the CRM framework by identifying risk areas and monitoring sector performance. EI compliance improvement plan is in progress.
Organizational arrangements enable more effective delivery of strategy and reforms	2 Partially Achieved	With the establishment of NRS replacing FIRS, effective January 1, 2026, a new organizational structure is being adopted as part of the reform agenda. Fund support for this organizational arrangement will be required under the current reform framework.
Support functions enable more effective delivery of strategy and reforms	2 Partially Achieved	Following the creation of the NRS to succeed the FIRS, effective January 1, 2026, a new organizational structure is being implemented as part of ongoing reform initiatives. Accordingly, it will be necessary to review and update human resources strategies and practices. Consideration of Fund support may be appropriate once the stabilization phase has concluded.
Digital technologies are better aligned with strategic objectives	3 Largely Achieved	Progress is ongoing. The NRS currently uses TaxPro-Max a tax administration IT platform, which has features, that include secure filing and payment processes and integration with external data sources. Core features include centralized taxpayer registration and identity management (with self-registration for individuals and corporations, integration with CAC, BVN, and NIMC, and automatic TIN validation), as well as electronic filing for corporate income tax and VAT.
Objective – Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 2
Outcome	Rating	Narrative
A larger proportion of taxpayers meet their payment obligations as required by law	2 Partially Achieved	Starting January 2026, there are expanded legal powers to enforce debt recovery more effectively, enabling earlier, risk-based intervention. As a preparatory step, in October 2025, CD was provided to help leverage these new powers, aiming to strengthen debt management, centralize operations, set clear performance targets, apply behavioral insights, and utilize the updated enforcement provisions.
A larger proportion of taxpayers meet their filing obligations as required by law	2 Partially Achieved	The IT system has been expanded to enhance filing from taxpayers. Notifications from the system are being sent but there is no reporting on the results. The new version of the IT system, which was almost ready for the rollout was

		postponed due to the new tax law package approved in 2025.
Audit and other verification programs more effectively ensure accuracy of reporting	2 Partially Achieved	Audit needs modernization to align with the recent 2025 recommendations by integrating CRM through a risk-based, data-driven approach. Centralized case selection at headquarters will enable local offices to focus on execution and enhance risk identification. Audits will move from routine verifications to targeting high-risk cases, while monitoring, evaluation, and quality control should operate independently from audit execution.
Taxpayer services initiatives to support voluntary compliance are strengthened	2 Partially Achieved	Authorities are developing frameworks to further support voluntary compliance, with future discussions postponed until after the transition to the NRS except for behavior insights discussions from the tax debt management perspective.
The integrity of the taxpayer base and ledger is strengthened	3 Largely Achieved	Authorities now have improved taxpayer registration with a streamlined process, coordinated IT systems with other government agencies, local office support, and ongoing data migration to reduce duplicate TINs for greater accuracy and reliability.
Objective – Improved customs administration functions (SDG 17.1) – CAD		Rating - 2
Outcome	Rating	Narrative
Customs control during the clearance process more effectively ensures accuracy of declarations	2 Partially Achieved	Customs has assumed responsibility for managing and controlling origin under the African Continental Free Trade Agreement, as recommended by previous FAD missions. The November 2023 mission provided guidance on reengineering import and export processes, which has not yet been adopted. The April 2025 mission advised the NSW project team on integrating the new import and export processes and aligning procedures, data flows, and system architecture with international best practices.
Foreign trade operators better comply with their reporting and payment obligations	2 Partially Achieved	Following an FAD mission in November 2023, the B'Odogwu customs system was piloted; it automated processes but lacked significant process improvements. Per MoF's request, a follow-up FAD mission in April 2025, supported the implementation of a comprehensive Single Window system, and a pilot launch is expected in the first quarter of 2026. Capacity-building activities were not resumed during FY26 due to a shift in Customs priorities, but are expected to resume in 2026.
Trade facilitation and service initiatives better support voluntary compliance	2 Partially Achieved	Following initial delays (lack of commitment from local authorities and internal disputes over the management of the one-stop shop), the project launched in April 2024 has a

		pilot scheduled to start in the first quarter of 2026. The authorities benefitted from April 2025 FAD mission recommendations to incorporate new import and export processes into the developing NSW and aligning procedures, data flows, and system architecture with international best practices. Capacity-building activities were not resumed during FY 2026 due to a shift in Customs priorities, but are expected to resume in 2026.
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IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
External shocks (social, political, economic, etc.) impact government revenue and expenditures.	Very High	Work with the IMF country teams and other IMF departments to analyze emerging fiscal risks and propose potential fiscal policies to minimize fiscal risks.
Political Support		
Political instability and/or lack of political support may slow down and even stop reforms.	Very High	Close consultation with the country team to assist authorities in recognizing the relevance of reforms. Strategic advice and hands-on capacity building have a more permanent impact.
Management and Technical Staff Support and Commitment		
Patronage and cronyism in senior staff appointments.	High	Develop and implement a robust succession plan.
Tax administration executive management changes affecting reform implementation	Medium	Regular engagement, encouragement, and monitoring. Close collaboration and communication with FAD team and other partners.
Resource Adequacy		
Deficient transparency and accountability in tax and customs administrations.	Medium	Maintain an effective alignment between organizational structure, people and business/internal processes. Implement a comprehensive framework for performance management to cover all functional areas of FIRS and Nigeria Customs Service.
Cronyism and nepotism in hiring low-capacity and unskilled staff.	High	Provide staff with the necessary tools, technology, and skills towards high performance. Reposition FIRS Training School to ensure development of required skills.

Description	Rating	Mitigation Measures
Other Risks		
Slow implementation of reforms	Medium	Aligning reforms timeline with conditions in the field - low capacity and lack of resources. Close monitoring and readiness to adopt necessary changes.
Overlap of reforms with other development partners	Low	Coordinate reforms with major development partners

V. PROJECT MANAGER: CONTACT INFORMATION

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