

I. COUNTRY REFORM PROGRESS

Nigeria has advanced major reforms over the past two years, strengthening macroeconomic stability and resilience. Growth reached 3.4 percent in 2024, driven by hydrocarbon output (+5.5 percent) and non-hydrocarbon sectors (+3.3 percent), notably financial and IT services. Despite steady growth, inflation remains high, and food insecurity and poverty have worsened.

Domestic revenue performance peaked in 2024, continuing a five-year upward trend. Federal Inland Revenue Service (FIRS) collections rose to 7.8 percent of GDP from 3.3 percent in 2020, with a 2.5 percentage point increase over 2023. This surge reflects fuel subsidy removal, exchange rate devaluation, and improved tax compliance through FIRS's digital transformation and enforcement.

This capacity development (CD) project under the Global Public Finance Partnership (GPFP) supported reforms in revenue administration across tax, customs, and extractive industries (EI). FIRS modernized core functions through a new IT system and administrative reforms. These improvements were validated by the outcomes of two international evaluations (Tax Administration Diagnostic Assessment Tool (TADAT) evaluations) and a value-added tax (VAT) gap analysis, which identified revenue gains in VAT efficiency based on the reduction of the compliance gap. CD in EI revenue administration continues to assist the authorities in building industry expertise and strengthening audit capabilities.

Nigeria's trade-facilitation reforms remain at a critical stage. No CD activities occurred during the period, but the authorities continued work guided by the April 2025 IMF mission, which supported the National Single Window (NSW) and highlighted key procedural reforms. The NSW is progressing, though legacy systems and limited process redesign continue to constrain implementation. Continued IMF support will be essential to advance the NSW pilot in 2026 and strengthen efficiency and oversight.

II. PROJECT DELIVERY HIGHLIGHTS

Revenue Module II – Revenue Administration

Key Progress in FY26: *Tax administration.* A follow-up HQ-mission reviewed progress since the 2024 FAD mission, addressed areas needing further advancement, and provided guidance on reforms linked to new government priorities resulting from four Tax Acts set to take effect on January 1, 2026. GPFP also supported compliance risk management (CRM), tax arrears management, and VAT gap analysis CDs. *Extractive Industries.* Ongoing capacity development initiatives have continued to strengthen 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.* With GPFP support for the 2023 TADAT assessment, a GPFP-supported HQ mission carried out a root cause analysis in 2024. This process identified and sequenced CD priorities through 2026, with an emphasis on areas such as VAT and the formation of a medium-term strategic plan (2025–2028). In addition, GPFP supported FIRS in developing CRM by piloting and

implementing a compliance improvement program (CIP) aimed at enhancing VAT compliance, which has since been adopted as a formal tool throughout the organization. GPFP supported CD on improving human resource management and peer-to-peer learning on excise tax management. GPFP also supports a Tax Resident Advisor. A subnational TADAT was delivered to Lagos state. *Extractive Industries*: CD activities have enhanced the FIRS' ability 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), digitalization, 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 Single Window pilot.

III. LOGICAL FRAMEWORK

Country – Nigeria		
Objective – Strengthened revenue administration management and governance arrangements (SDG 17.1) – RAM		Rating - 2
Outcome	Rating	Narrative
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	2 Partially Achieved	The FIRS approved the Medium-Term Strategic Plan in July 2025. However, still in July, a full package of four laws impacted the medium-term scenario of the tax administration. These laws include (i) the Nigeria Tax Act (NTA), which consolidates various tax rules into a single, unified code and eliminates several taxes, (ii) the Tax Administration Act (TAA), which sets common rules for how taxes are collected across federal, state, and local governments, (iii) the Nigeria Revenue Service Act (NRSA), which replaces the FIRS with a new agency - the NRS, and (iv) the Joint Revenue Board Act (JRBA), which enhances intergovernmental coordination and establishes both a Tax Ombud and a Tax Appeal Tribunal.
Corporate priorities are better managed through effective risk management	2 Partially 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 CIP is in progress.
Organizational arrangements enable more effective delivery of strategy and reforms	2 Partially Achieved	Nigeria has implemented reforms with targeted CD offered through the GPFP. This assistance has included guidance on improving organizational arrangements in functional areas and continues to be provided.
Support functions enable more effective delivery of strategy and reforms	2 Partially Achieved	Nigeria has implemented reforms with targeted CD offered through the GPFP. This assistance has included guidance on improving organizational arrangements in support functions and continues to be provided.
Digital technologies are better aligned with strategic objectives	2 Partially Achieved	Progress is ongoing, following a CD mission on FY25 year on portfolio of projects' management supported the prioritization of new projects adopting IT tools and aligning those with the institutional strategy.
Objective - Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 1
Outcome	Rating	Narrative
A larger proportion of taxpayers meet their payment obligations as required by law	1 Not Achieved	Starting January 2026, there will be expanded legal powers to enforce debt recovery more effectively, enabling earlier, risk-based intervention. An October 2025 mission helped 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	Despite the expanded IT system to enhance taxpayer filing, progress has been slow. Though system notifications are being sent, there is no mechanism for reporting on the results.
Audit and other verification programs more effectively ensure accuracy of reporting	1 Not Achieved	Audit needs modernization to align with the recent 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	1 Not 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	1 Not Achieved	Authorities have improved taxpayer registration with a streamlined process, coordinated IT systems with another government agency, local office support, and ongoing data

		migration to reduce duplicate tax identification numbers 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 already taken over the management and control of origin under the African Continental Free Trade Agreement, as recommended by FAD missions. An FAD mission in November 2023 provided guidance on the re-engineering of import and export processes. Awaiting implementation. April 2025 FAD mission recommended incorporating new import and export processes into developing the NSW 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	An FAD mission in November 2023 provided guidance on the re-engineering of import and export processes. A new system (B'Odogwu) is currently being piloted to replace the current customs operations control system (NICIS-II). While it demonstrates progress in terms of automation, it preserves existing practices without introducing substantial process improvements. In response to a specific request from the Ministry of Finance, a FAD mission in April 2025 was executed to support the implementation of a comprehensive Single Window system. The project is ongoing and on schedule, with entry into production (pilot) expected in the first quarter of 2026.
Trade facilitation and service initiatives better support voluntary compliance	2 Partially Achieved	The lack of commitment from local authorities and internal disputes over the management of the one-stop shop delayed the start of the project. The project was launched in April 2024 by order of the President to the Minister of Finance. The project is underway and on schedule, with a pilot start scheduled for the first quarter of 2026. April 2025 FAD mission recommended incorporating new import and export processes into the developing NSW and aligning procedures, data flows, and system architecture with international best practices.

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.

Description	Rating	Mitigation Measures
Government revenue measures adversely impact the tax ratio.	High	Work with country team and authorities to monitor revenue measures and their impact on the tax ratio and propose reforms to boost the tax ratio.
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.
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.

V. PROJECT MANAGERS: CONTACT INFORMATION

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