

I. COUNTRY REFORM PROGRESS

Nigeria's priority is to restore macroeconomic stability and advance fiscal reforms. Over the years, the authorities have implemented key reforms, such as the use of technology to ease tax registration, filing, and payment; use of third-party data from other government agencies and private sector and analytics tools to improve desk reviews, tax audit and tax investigation and enforcement; progressing the development of risk engine to drive risk-based tax audit; a new internally developed tax information technology system, which is continuously being enhanced with features of improving taxpayers' compliance; and establishment of tax expenditure department to curb abuse of incentives. The new government aims to further the tax reform agenda, targeting a tax-to-GDP ratio of 18 percent (announced by the government to have reached out 13.63 percent in 2024, from 9.61 percent in 2023) in the medium term to create fiscal space for achieving Nigeria's development goals.

The Global Public Finance Partnership (GPFP) program has played a crucial role in advancing the reform agenda by enhancing tax administration performance, increasing tax compliance, and boosting revenue collection. Following a 2023 Tax Administration Diagnostics Assessment Tool (TADAT) evaluation, GPFP supported capacity development (CD) to design a reform roadmap for addressing the identified weaknesses. This support encompassed the implementation of a compliance improvement plan (CIP) focused on value-added taxes (VAT). Key activities included reviewing compliance risk management (CRM) policy documents, upskilling staff on VAT gap analysis, and improving the human resource performance management system. Additionally, a peer-to-peer visit was organized to benchmark experiences in administering excise taxes on services (such as telecommunications and betting and gaming) and goods. Furthermore, GPFP assisted with a TADAT assessment in Lagos State, Nigeria's largest state.

As part of the Single Window project, the authorities received targeted support for the re-engineering of import and export customs processes. This redesign, while still in its initial stages, is expected to provide a solid foundation for streamlining procedures across all border agencies and enhancing coordination among stakeholders involved in foreign trade. By aligning processes, data flows, and system architecture with international best practices, the initiative has the potential to improve data quality, strengthen risk management, and boost regulatory efficiency—ultimately benefiting not just customs, but all agencies and economic operators engaged in trade.

II. PROJECT DELIVERY HIGHLIGHTS

Revenue Module II – Revenue Administration

Key Progress in FY25:

Tax administration. A medium-term reform plan was discussed in a post-TADAT mission. Areas where support from the IMF's Fiscal Affairs Department (FAD) was necessary and areas where the authorities would advance without support from FAD were agreed. CD was provided to advance CRM practices, focusing on the implementation of CIP. A pilot CIP focused on VAT included the review of the CRM policy documents. Also, regarding VAT, CD was provided on upskilling RA-Gap analysis. Further support was provided on improving the human resource performance management system. A peer-to-peer mission was organized to benchmark the experience of Zambia tax administration with administering excise taxes on

services (e.g., telecoms and betting and gaming) and goods. A subnational TADAT assessment was made to the Lagos State to identify weaknesses and strengthens of the state tax system.

Customs administration. The main benefit for the authorities was the substantial support provided in redesigning export and import processes, setting a solid foundation for their incorporation into the Single Window for foreign trade currently under development. This redesign represents a critical step toward strengthening control and facilitating trade. In addition, the recommendations on aligning procedures, data flows, and system architecture with international best practices are expected to enhance data quality, improve risk management, and increase regulatory efficiency.

Previous Progress: This project started in January 2024, with a revenue advisor and an assessment of the maturity of the tax administration (TADAT assessment), helping to generate a baseline for reforms. Regarding the customs component of the project, this being the first year of activities, there is no previous work to build upon.

Next Steps:

Tax administration. An HQ mission will support the alignment of core tax functions with the strategy of the Nigerian Federal Inland Revenue Service (FIRS). The VAT gap analysis exercise and the CIP pilot on VAT will continue. VAT refunds business process model needs to be prioritized. CD support is expected to be provided on tax arrears management and expenditure monitoring. The GPFP project will also cover the extractive industry sector moving forward.

Customs administration. The focus of the CD will be to continue supporting authorities in the ongoing implementation of the Single Window project, with an emphasis on further aligning processes and systems. This effort will contribute to achieving the objective of implementing new initiatives, including the Single Window, coordinated border management, and the Authorized Economic Operator (AEO).

III. LOGICAL FRAMEWORK

Country – Nigeria		
RM II: 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	1 Not Achieved	The IMF's Second Regional Technical Assistance Center for West Africa (AFW2) is supporting the review of the strategic management framework and CD was provided in FY25 (November 2024). Authorities are discussing the strategic planning framework (April 2025).
Corporate priorities are better managed through effective risk management	2 Partially Achieved	A HQ mission and a follow-up STX visit have been supporting the strengthening of risk management at FIRS. Due to the relevance of VAT, a pilot of a compliance improvement plan (CIP) for VAT has

		been designed and supported by GPFP (November 2024). The first STX activity was delivered on the pilot, and the work is in progress. A VAT gap analysis is underway to help identify sectors of low compliance (April 2025).
Organizational arrangements enable more effective delivery of strategy and reforms	2 Partially Achieved	Planned for April / May 2025 (November 2024). The main CD activity was postponed to July. However, a visit was organized to the FIRS; officials to visit Zambia and discuss the business model for administering excise taxes (April 2025).
Support functions enable more effective delivery of strategy and reforms	2 Partially Achieved	This is in the pipeline for the upcoming fiscal year (November 2024). CD was provided to modernize the performance monitoring and evaluation (April 2025).
Digital technologies are better aligned with strategic objectives	2 Partially Achieved	Not started yet (November 2024). CD on portfolio of projects' management was delivered to help with the prioritization of new projects adopting IT tools aligning those with the institutional strategy (April 2025).
RM II: 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	The modernization of both services and enforcement activities will require strong CD support, which are in the pipeline (November 2024). Not implemented by April 2025.
A larger proportion of taxpayers meet their filing obligations as required by law	2 Partially Achieved	The new IT system is the backbone of reforms in the tax administration and has been expanded to enhance filing from taxpayers (November 2024). Notifications are being sent but there is no reporting on the results (April 2025).
Audit and other verification programs more effectively ensure accuracy of reporting	1 Not Achieved	This was agreed to be a priority, but it did not start because there were limited resources in the first semester of FY25 (November 2024). Yet to be started (April 2025).
Taxpayer services initiatives to support voluntary compliance are strengthened	1 Not Achieved	Authorities are structuring the framework to strengthen initiatives focused on increased support for voluntary compliance (November 2024). No further information (April 2025).

The integrity of the taxpayer base and ledger is strengthened	1 Not Achieved	The authorities are still discussing how to implement the solution without risking the registration database. (November 2024). No progress up to April 2025.
RM II: 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 Area (AfCFTA), 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 the developing National Single Window 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 National Single Window 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.
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 to 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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