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Impact of International Monetary Fund Debt Management Strategies on Nigeria's Fiscal Stability

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Abstract **Original Research Article**

The persistent fiscal instability in Nigeria, characterized by rising debt levels, dwindling revenues, and recurrent budget deficits, has raised significant concerns about the country's reliance on external financial institutions such as the International Monetary Fund (IMF). This reality necessitated the research study, which assesses the impact of IMF debt management strategies on Nigeria's fiscal stability. The objective of the study is to examine whether the IMF's strategies have contributed positively or negatively to Nigeria's fiscal health, particularly in relation to debt sustainability, economic equity, and national autonomy. A mixed-methods approach was employed, involving the administration of structured questionnaire to selected officials, complemented by in-depth interviews. The data were analysed using simple percentage techniques to derive statistical insights, while the interviews were subjected to qualitative content analysis. The study adopted the Public Choice Theory, which offers a robust framework for understanding how policy decisions, often influenced by elite interests and international pressures, may diverge from the broader public good. Findings reveal that IMF debt management strategies in Nigeria are widely regarded as detrimental rather than beneficial, as they significantly undermine fiscal autonomy, exacerbate economic inequality, and hinder sustainable long-term growth. The study recommends that Nigeria should strengthen domestic revenue mobilization mechanisms, especially through widening the tax base and improving tax administration, and secondly, prioritize the development of homegrown fiscal policies that align with national development goals rather than externally-imposed frameworks.

Keywords: International Monetary Fund, External Debt, Debt Strategies, Debt Management, Fiscal Stability.

Introduction

The International Monetary Fund (IMF) is one of the key pillars of the global financial system, designed to foster international monetary cooperation, secure financial stability, facilitate balanced trade, promote high employment, and ensure sustainable economic growth. Established in 1944 at the Bretton Woods Conference, the IMF's primary function is to provide financial assistance to countries facing balance-of-payments problems, often by offering loans and economic policy advice. In addition to offering financial resources, the IMF's role extends to surveillance and technical assistance, helping countries manage their economies more effectively (Adebayo & Olawale, 2018). Over the years, the IMF’s policies have shaped the economic landscapes of several countries, particularly in developing regions like Africa.

Nigeria, the largest economy in Africa, is no exception to the debt crisis facing the continent. Over the years, Nigeria’s external debt has increased sharply, contributing to economic instability. The country’s external debt, which stood at approximately $31 billion in 2019, has ballooned to over $50 billion by the end of 2023 (World Bank, 2023). This increase is largely attributed to the government’s reliance on foreign loans to finance infrastructure projects, as well as to cover budget deficits in the face of fluctuating oil prices. The need for foreign loans intensified after the 2016 economic recession, during which oil prices plummeted, leading to a significant reduction in government revenue. Consequently, Nigeria has faced increased debt servicing obligations, which now account for a large portion of its annual budget. The government’s fiscal challenges are further compounded by inflation, currency depreciation, and unemployment, all of which undermine the country’s ability to meet its debt obligations and sustain economic growth.

In response to the mounting debt crisis, Nigeria has sought the assistance of the IMF, which has played a pivotal role in helping the country manage its fiscal and monetary policies (IMF, 2021). Through various programs, such as the Extended Fund Facility (EFF), the IMF has provided Nigeria with much-needed financial resources and policy guidance. However, the IMF’s recommendations, which often include austerity measures and economic reforms, have sparked controversy. Critics argue that the IMF’s prescription of reducing government expenditure, devaluing the currency, and cutting subsidies has led to increased poverty and social unrest, particularly in a country where poverty rates are already high. In 2023, over 40% of Nigeria’s population was living below the poverty line, according to the National Bureau of Statistics (NBS), highlighting the vulnerability of the Nigerian economy to external shocks and the limitations of IMF-led reforms in addressing systemic issues.

In light of the foregoing, this study evaluates the extent to which the International Monetary Fund’s debt management strategies influence Nigeria’s fiscal stability in a sustainable and development-oriented manner.

In light of these developments, this study critically evaluates the impact of IMF debt management strategies on Nigeria’s fiscal stability, with a view to understanding the effectiveness and policy implications of such interventions.

Statement of the Problem

The challenges associated with the International Monetary Fund (IMF) in Nigeria's debt management are multifaceted, significantly impacting fiscal stability and sustainability. Historically, Nigeria's relationship with the IMF has been complex, with debates centered around the conditions tied to IMF loans, which often prioritize macroeconomic stability over development needs (Adewuyi & Ayodele, 2023). For instance, during Nigeria's economic crisis in the 1980s, the IMF's Structural Adjustment Program (SAP) demanded austerity measures, leading to widespread public discontent due to reduced government spending on essential services (Adamu & Yusuf, 2024). This legacy has continued to shape Nigeria's interactions with the IMF, especially as the nation grapples with debt challenges.

One major consequence of IMF-linked strategies is the potential for a debt trap, where countries continuously borrow to repay existing debts without significant improvements in fiscal health. In Nigeria’s case, the IMF’s conditions often mandate structural reforms that can limit public spending, affecting sectors like education and healthcare. Critics argue that such conditions have weakened Nigeria’s capacity for autonomous fiscal management, leading to a pattern of dependency on external guidance for debt restructuring (Ibrahim & Musa, 2023). This reliance has had profound implications for Nigeria’s fiscal sustainability, as frequent adjustments to meet IMF conditions have occasionally led to short-term fiscal gains at the expense of long-term development (Adamu & Yusuf, 2024).

Research Questions

i) How have IMF debt management strategies impacted Nigeria's fiscal stability between 2015 and 2024?
ii) How effective are IMF-prescribed Debt Management Strategies in improving Nigeria's debt sustainability during the period under review?

Objectives of the Study

The primary objective of this study is to assess how IMF policies influence Nigeria's debt sustainability and explore pathways for enhanced economic stability. However, specific objectives include the following.

i) To assess the impact of IMF debt management strategies on Nigeria's fiscal stability between 2015 and 2024.
ii) To evaluate the effectiveness of IMF-Prescribed Debt Management strategies in enhancing Nigeria's debt sustainability during the period under review?

Conceptual Framework

Debt Management

Debt management refers to the organized and strategic process through which a government, institution, or individual plans, controls, and handles the accumulation, repayment, and sustainability of debt. It includes deciding how much to borrow, choosing favorable loan terms, and ensuring that borrowed funds are used efficiently and repaid responsibly. For countries, especially developing economies like Nigeria, debt management is crucial to ensure that foreign and domestic borrowing does not cripple the economy but instead supports growth and development. It encompasses a range of activities such as budgeting for debt servicing, forecasting debt trends, identifying potential risks, and ensuring transparency in debt transactions (Ajayi, 2023).

External Debt

External debt refers to the total amount of money that a country owes to foreign creditors, including international financial institutions, foreign governments, and private commercial banks outside the country. It represents the liabilities a nation incurs when it borrows funds from abroad to finance developmental projects, stabilize the economy, or manage balance of payments deficits. In recent years, external debt has become a central subject in economic development discourse, especially in low- and middle-income countries like Nigeria. According to Ogundipe, Adefolarin and Olanrewaju (2023), external debt arises when a country lacks sufficient domestic resources to fund its needs and must resort to borrowing from international lenders, often in the form of loans, bonds, or credits. These borrowed funds are typically expected to be repaid in the original currency along with interest over a specified period.

From a personal perspective, external debt is money a country borrows from outside its borders to meet its needs, which, if not wisely managed, becomes a burden rather than a blessing.

Fiscal Stability

Fiscal stability refers to a government's ability to manage its public finances in a sustainable and responsible way over time. It means that a country can meet its spending needs, pay off its debts, and avoid excessive borrowing that can lead to economic crisis. A government with fiscal stability ensures that revenues from taxes and other sources are enough to fund its essential services like education, health care, security, and infrastructure without creating large deficits or depending heavily on external loans. It also involves controlling public debt so that it does not grow faster than the economy. In other words, fiscal stability is about maintaining a healthy balance between income and expenditure while keeping the debt at a manageable level (Alesina & Giavazzi, 2023).

Scholars describe fiscal stability as the foundation of macroeconomic health, meaning that it keeps the entire economy stable. When a government consistently spends more than it earns, it must borrow to cover the shortfall. Over time, this borrowing accumulates into large debts that may become hard to repay, putting pressure on public funds and possibly leading to higher taxes, inflation, or even currency devaluation. Therefore, fiscal stability prevents these negative outcomes by promoting prudent budgetary decisions and economic discipline (Mirdala, 2022). For example, if a country generates enough revenue through efficient tax collection and minimizes unnecessary expenses, it can invest more in development projects, provide social support for its citizens, and reduce dependence on foreign loans.

Empirical Review

Mohammed (2024) examines the impact of IMF-led economic reforms on Nigeria's debt sustainability through the lens of the Public Choice Theory. The study applied a panel data analysis comparing Nigeria with other sub-Saharan African nations that have taken IMF loans. Results demonstrated that IMF-backed policies often prioritized debt repayment over economic growth, leading to sluggish GDP performance. The study recommended a balanced approach where debt servicing does not come at the expense of essential developmental projects. However, the research did not explicitly evaluate how Nigeria's swift adoption of IMF policies from 2015 to 2024 affected its fiscal resilience, a gap that the present study fills.

Adamu & Ibrahim (2024) investigate the effectiveness of IMF policy prescriptions in fostering debt management and fiscal discipline in Nigeria. Using a case study approach, the research focuses on the period following Nigeria's 2005 Paris Club debt relief, analyzing IMF reports, government publications, and interviews with Nigerian policymakers. The study finds that the IMF's fiscal consolidation measures, including debt repayment schedules and budgetary reforms, have been instrumental in enhancing Nigeria's fiscal responsibility. These measures have also improved the country's creditworthiness, attracting foreign investments. The authors recommend a more flexible application of IMF conditions to accommodate Nigeria's economic realities, such as the need for pro-growth spending during economic downturns. However, the study falls short in discussing how the IMF's short-term debt stabilization objectives align with Nigeria's long-term developmental goals, specifically in terms of infrastructure investment. This oversight creates a gap in understanding how to balance immediate fiscal sustainability with future economic growth in the Nigerian context.

Therefore, this study uniquely contributes by isolating IMF debt management strategies as a core analytic category and linking them directly to Nigeria's fiscal stability outcomes. It bridges the existing gap by employing a focused and integrative approach that combines empirical fiscal indicators with debt management policy analysis, thereby offering a comprehensive assessment that previous studies have yet to provide.

Theoretical Framework

The theory was first popularized in the late 1950s and 1960s, is rooted in the works of scholars like Raúl Prebisch, Andre Gunder Frank, and Fernando Henrique Cardoso. It emerged as a critique of modernization theory and Western-centric development models. Frank (1967) argued that underdevelopment in peripheral nations is not a natural state but a consequence of their integration into the global capitalist system dominated by core nations. The theory posits that the economic prosperity of developed nations is dependent on the exploitation and underdevelopment of poorer countries through unequal trade relationships, capital flows, and technological domination (Dos Santos, 1970).

Dependency Theory is a useful framework to examine the impact of International Monetary Fund (IMF) debt management strategies on Nigeria's fiscal stability because it exposes how structurally unequal global economic relationships hinder the growth of developing countries like Nigeria. Despite being richly endowed with natural resources such as crude oil, gas, and solid minerals, Nigeria has remained heavily reliant on external borrowing, especially from international financial institutions like the IMF, which reinforces a cycle of dependency rather than fostering genuine development. From 2015 to 2024, Nigeria's external debt stock surged from $10.7 billion in 2015 to over $43.2 billion by 2023, with the IMF contributing a significant share through various lending arrangements, including the $3.4 billion Rapid Financing Instrument in 2020. These loans often come with stringent conditionalities such as currency devaluation, subsidy removal, and austerity measures that strain the poor while ensuring debt repayment to creditors. Meanwhile, donor institutions gain through interest payments, policy control, and economic influence, effectively using Nigeria’s need for fiscal relief to protect their own strategic and financial interests. Dependency Theory helps explain why, despite its resource wealth, Nigeria remains caught in a debt trap where its sovereignty is compromised, and real development is stalled by external economic domination masked as financial assistance.

Methodology

This paper utilised a mixed-method approach to analyse the impact of the International Monetary Fund's (IMF) debt management strategies on Nigeria’s fiscal stability. A total of 1,348 staff members from key institutions, including the Central Bank of Nigeria (CBN), Debt Management Office (DMO), Ministry of Finance, Budget, and National Planning, as well as the National Bureau of Statistics (NBS), formed the population for the study. Using Krejcie and Morgan's (1970) statistical formula, a sample size of 369 was determined for the study. A total of 352 questionnaires were distributed, with 367 successfully retrieved and used for the analysis.

The data collected from the 367 questionnaires were analysed using simple percentage calculations. This involved counting the frequency of responses for each question, followed by calculating the percentage of respondents who chose each option. The percentages were then used to determine the distribution of opinions or experiences among the respondents, providing insights into their perspectives on the IMF's debt management strategies and their impact on fiscal stability. Therefore, using simple percentage analysis, the study was able to provide a clear and understandable breakdown of the data, highlighting key trends and patterns in the responses. This method was effective in presenting the results in a straightforward manner, allowing for easy interpretation and comparison of the different viewpoints of respondents from various sectors involved in debt management in Nigeria.

Data Analysis and Results

Table 1: Respondents’ view on the Impact of International Monetary Fund Debt Management Strategies on Nigeria’s Fiscal Stability

Responses	SA	A	U	D	SD
International Monetary Fund (IMF) strategies for debt reduction have helped Nigeria stabilize its economy.	65 (18%)	51 (14%)	5 (1%)	134 (37%)	112 (31%)
Nigeria’s reliance on IMF debt management strategies is beneficial for long-term fiscal growth.	33 (9%)	38 (10%)	3 (1%)	198 (54%)	95 (26%)
Adopting IMF strategies has weakened Nigeria's sovereignty in financial decision-making.	132 (36%)	111 (30%)	7 (2%)	60 (16%)	57 (16%)

The IMF's involvement in Nigeria’s debt management hinders the country’s fiscal autonomy.	201 (55%)	87 (34%)	4 (1%)	45 (12%)	30 (8%)

Source: Field Survey, 2025

Table above presents respondents’ views on the impact of International Monetary Fund (IMF) debt management strategies on Nigeria’s fiscal stability. The first statement evaluates whether IMF strategies for debt reduction have contributed to Nigeria's economic stability. Out of the total respondents, only 18% strongly agreed and 14% agreed, summing up to 32% in support. However, a significant majority—37% disagreed and 31% strongly disagreed (a combined 68%)—suggesting widespread skepticism about the effectiveness of IMF debt reduction strategies in stabilizing Nigeria’s economy. The 1% undecided response indicates a minimal level of neutrality, reinforcing the perception that opinions on this issue are predominantly negative.

The second item measures belief in the long-term benefits of Nigeria’s reliance on IMF debt management strategies. Again, support was weak, with just 9% strongly agreeing and 10% agreeing, totaling only 19% endorsement. A majority of respondents, 54% disagreed and 26% strongly disagreed, amounting to 80% opposition. This shows a pronounced lack of confidence in the IMF's role as a sustainable pathway for Nigeria’s fiscal growth, suggesting that the strategies may not be perceived as aligning with the country's long-term development goals. Only 1% of respondents remained neutral.

The third item gauges the perceived effect of IMF strategy adoption on Nigeria’s financial sovereignty. A notable 36% of respondents strongly agreed, and 30% agreed—totalling 66%—that IMF involvement has weakened Nigeria’s sovereign authority over its fiscal decisions. Only 16% disagreed and another 16% strongly disagreed, indicating that those who view IMF influence as an infringement on national autonomy significantly outnumber those who do not. A small proportion (2%) remained undecided, further underscoring the dominance of a critical perspective.

The final item explores the IMF’s role in hindering Nigeria’s fiscal autonomy. An overwhelming 55% strongly agreed and 34% agreed (89% total), suggesting near-universal consensus that IMF participation in debt management limits Nigeria’s independent fiscal decision-making. Only 12% disagreed and 8% strongly disagreed, reflecting minimal opposition to this sentiment. The extremely small undecided group (1%) shows a rare level of consensus among respondents, making this one of the most conclusive data points in the entire set.

The implication of this analysis is that the overwhelming majority of respondents view the IMF’s debt management strategies in Nigeria as detrimental rather than beneficial, with strong sentiments highlighting adverse effects on the country’s fiscal autonomy, economic inequality, and long-term growth potential. The perception that these strategies undermine national sovereignty and contribute little to economic stability reflects a deep-seated mistrust in external debt solutions imposed by global financial institutions. Such public opinion may limit political will to pursue further IMF-related reforms and calls for a rethinking of debt management policies rooted in indigenous strategies tailored to Nigeria's socio-economic realities.

In an interview with the Director of External Debt at the Debt Management Office (DMO) on April 9, 2025, he explained that;

> The IMF has supported Nigeria through technical assistance, capacity building, and advisory services. According to him, the IMF provided help in developing a reliable

> debt database and in setting up a clear borrowing plan. He also said the IMF advised on ways to reduce borrowing costs and improve transparency. These strategies have helped Nigeria manage its external debt more wisely, especially by linking new borrowings to projects with high economic returns and long-term development impact.

During a discussion with the Chief Accountant and Director of Finance and Accounts at the Debt Management Office (DMO) on April 9, 2025, he noted that;

> The IMF's support has focused mainly on improving financial reporting, debt sustainability analysis, and internal auditing processes. He emphasized that the IMF trained DMO staff on how to track and record debt transactions properly. According to him, this has led to better financial planning and accountability. He also shared that through regular IMF monitoring, Nigeria was able to adopt international standards in its debt reports, which increased investors' trust and improved public finance management.

In an interview with the Director of Policy, Strategy, and Risk Management Department from the Debt Management Office (DMO) on April 9, 2025, the director pointed out that:

> The DMO collaborates with the IMF to implement comprehensive strategies for managing Nigeria's debt. This includes structuring external and domestic loans, conducting regular risk assessments, and ensuring debt management strategies align with economic objectives. The director explained that the IMF's technical support has been crucial in building Nigeria's institutional capacity, thereby improving debt reporting and monitoring systems. This collaboration aims to reduce fiscal vulnerability and ensure long-term debt sustainability.

However, data from secondary sources shows that between 2015 and 2024, Nigeria's engagements with the International Monetary Fund (IMF) reflected a blend of macroeconomic pressure, debt vulnerability, and restructuring strategies. The nation did not secure any IMF funding in 2015, relying largely on domestic borrowing, including treasury bonds and local investment instruments (Bello & Onodugo, 2017). In 2016, Nigeria initiated discussions for a $2.4 billion IMF loan but eventually rejected it due to the attached conditionalities, especially the demand for the removal of petroleum subsidies and tightening of fiscal space (Ogundipe & Oluwafemi, 2018).

Table 2: Nigeria's IMF Loans, Conditionalities, Debt Strategies (2015–2024)

Year	Nigeria's Loan from IMF (USD)	IMF Loan Conditionalities to Nigeria	Debt Management Strategies
2015	None	N/A	Domestic borrowing, bond issuance
2016	$2.4 billion (under consultation, declined)	Fiscal tightening, subsidy removal	Budget support through domestic bonds
2017	None (negotiations ongoing)	Currency liberalization urged	Introduction of FX windows
2018	None	N/A	Non-concessional borrowing restrictions
2019	$3.4 billion (RFI)	Exchange rate unification, fiscal reforms	Sinking fund proposal, Eurobond issuance

2020	None (COVID-19 impact acknowledged)	Revenue mobilization urged	Debt servicing suspension initiative
2021	$3.4 billion (COVID-19 RFI repurchase obligation initiated)	Public financial transparency	Tax-to-GDP increase, service cost reduction
2022	No new loans	Commitment to FX market reforms	Medium-Term Debt Management Strategy (MTDS)
2023	Loan request of $1.5 billion (under review)	Fuel subsidy removal, forex stability	Introduction of Ways and Means borrowing limits
2024	$2.2 billion (negotiated, disbursed Q1)	Streamlined monetary policy, subsidy reforms	Fiscal consolidation and tax reforms

Source: IMF country reports & external news (2025)

From the above table, it shows that, IMF conditionalities significantly shaped Nigeria's fiscal and monetary policies over the decade. While loans offered short-term relief, they often came with stringent measures that challenged domestic policy independence. Nonetheless, the need for external funding due to oil dependency and revenue volatility compelled Nigeria to adapt its debt strategies, shifting from short-term domestic borrowing to more diversified international instruments with policy reforms aimed at long-term sustainability.

Table 3: Respondents' view on the effectiveness of International Monetary Fund -Supported Reforms in enhancing Nigeria's Debt Sustainability

Responses	SA	A	U	D	SD
The International Monetary Fund (IMF)'s debt restructuring strategies have reduced Nigeria's debt burden.	13 (4%)	3 (1%)	1 (0%)	206 (56%)	144 (39%)
IMF-supported reforms have reduced Nigeria's reliance on external borrowing.	44 (12%)	38 (10%)	2 (1%)	166 (45%)	177 (48%)
IMF recommendations have helped Nigeria address revenue shortfalls effectively.	30 (8%)	48 (13%)	3 (1%)	178 (5%)	108 (29%)
IMF reforms have strengthened Nigeria's ability to attract foreign investments.	23 (6%)	56 (15%)	6 (2%)	188 (51%)	194 (53%)

Source: Field Survey, 2025

In an interview with the Director of External Debt at the Debt Management Office (DMO) on 9th April 2025, he expressed mixed reactions to the impact of IMF debt management strategies on Nigeria's fiscal stability between 2015 and 2024. While he acknowledged that some IMF strategies, such as debt restructuring and fiscal discipline recommendations, helped stabilize external borrowing and reduced interest burdens, he also pointed out that rigid conditions and austerity measures sometimes deepened hardship and public dissatisfaction. He explained that;

> Although Nigeria's debt-to-GDP ratio remained within acceptable limits, the growing cost of debt servicing has limited the country's ability to invest in key sectors. Thus, the effect has been both positive and challenging.

During a discussion with the Chief Accountant and Director of Finance and Accounts at the DMO on 9th April 2025, he highlighted that;

> IMF-supported reforms have significantly strengthened Nigeria's ability to manage and sustain debt levels. He stated that financial reporting systems improved greatly, with enhanced transparency and accountability in public debt recording. According to him, IMF technical support also helped the country adopt a more structured borrowing plan aligned with medium-term fiscal strategies. As a result, Nigeria now pays closer attention to concessional borrowing, reducing the pressure of costly commercial debts. These reforms, he said, have improved investor confidence and laid a foundation for long-term debt sustainability.

Speaking on 9th April 2025, the Director of Policy, Strategy, and Risk Management Department of the DMO shared that Nigeria's fiscal management has benefited from IMF-driven reforms, particularly in debt sustainability analysis and strategic planning. He noted that;

> Prior to 2015, Nigeria lacked a consistent debt management framework, but with IMF guidance, key policy tools like the Medium-Term Debt Management Strategy (MTDS) were introduced. These tools now guide borrowing decisions based on affordability and risk. He emphasized that while fiscal pressures remain, especially with fluctuating oil revenues, IMF strategies have built internal capacity and discipline within the DMO, helping Nigeria better assess, forecast, and plan its debt profile for the future.

Discussion of Findings

1. The first objective of this study seeks to assess the impact of International Monetary Fund (IMF) debt management strategies on Nigeria's fiscal stability between 2015 and 2024. Findings from respondents revealed a general consensus that these strategies have been more detrimental than beneficial to the country's fiscal health. A significant portion of participants expressed that the IMF's approach eroded Nigeria's fiscal autonomy, weakened domestic revenue mobilization, and exacerbated economic inequalities. Respondents highlighted how IMF-enforced austerity measures often led to budget cuts in critical sectors like health and education, undermining social investments crucial for long-term growth. They further contended that Nigeria's economy became increasingly vulnerable to external shocks due to an overemphasis on macroeconomic stabilization without corresponding growth strategies.
2. The second objective of this study was to examine the effectiveness of IMF-prescribed debt management strategies in enhancing Nigeria's debt sustainability from 2015 to 2024. Respondents overwhelmingly perceived these strategies as ineffective in resolving the underlying causes of Nigeria's rising debt burden. Many pointed out that although IMF loans occasionally provided short-term fiscal relief, the accompanying conditions—including subsidy removals, exchange rate adjustments, and public sector downsizing—often triggered inflationary pressures and social unrest. Participants emphasized that Nigeria's dependency on IMF prescriptions created a cycle of borrowing without adequate structural transformation or industrialization, leading to persistent fiscal deficits.

Conclusion

This study has clearly shown that the International Monetary Fund's (IMF) debt management strategies in Nigeria have done more harm than good to the country's fiscal stability. Rather than supporting sustainable growth, these strategies have deepened Nigeria’s economic difficulties by eroding its fiscal autonomy, increasing economic inequality, and weakening long-term development prospects. The conditions often attached to IMF loans, such as subsidy removals, currency devaluation, and spending cuts, have placed a heavy burden on the majority of Nigerians, particularly the poor and vulnerable. These measures have not only worsened the cost of living but have also led to social unrest and political tension.

Furthermore, the IMF-backed reforms have failed to offer a lasting solution to Nigeria’s debt sustainability problems. Despite repeated engagements with the IMF, Nigeria continues to face rising debt levels, weak revenue generation, and persistent budget deficits. This reflects a mismatch between the IMF’s standard prescriptions and Nigeria’s unique economic realities. Most Nigerians and many experts see these policies as foreign-driven and disconnected from the country’s actual needs and development goals. The over-reliance on IMF strategies has also discouraged the development of home-grown solutions that could better address the root causes of Nigeria’s fiscal crisis.

Recommendations

1. First, Nigeria should adopt a hybrid debt management model that reduces over-reliance on IMF prescriptions and prioritizes domestically driven fiscal reforms tailored to the country’s socio-economic realities. This model would involve building fiscal buffers through aggressive revenue diversification, particularly in the non-oil sectors, curbing leakages through institutional reforms, wand strengthening domestic debt instruments with manageable interest rates. Relying solely on IMF strategies has proven to erode fiscal autonomy and limit Nigeria’s capacity to implement home-grown policies. Thus, Nigeria’s fiscal policy design must reflect domestic priorities over externally imposed austerity measures that often amplify inequality and hinder inclusive growth.
2. Second, there is a need for a comprehensive review and renegotiation of existing IMF-linked loan agreements to incorporate provisions that align better with Nigeria’s long-term development goals and debt sustainability framework. This includes advocating for flexibility in repayment terms, conditionalities that support rather than constrain developmental spending, and performance-based metrics that reflect structural progress rather than fiscal tightening alone. Such renegotiation should be accompanied by improved public debt transparency and accountability mechanisms, allowing civil society and legislative bodies to monitor borrowing practices and their outcomes. These steps will not only enhance public trust but also ensure that future IMF engagements are more effective, context-sensitive, and supportive of Nigeria’s economic stability. By asserting greater control over debt management, Nigeria can strike a balance between external support and national development imperatives.

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