

Public Debt Shocks and Public Goods Provisioning in Nigeria: Implication for National Development

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Abstract : Public debt profile of Nigeria has continuously been on the increase over the years. The drop in international crude oil prices has further worsened revenue position of the country, thus, necessitating further acquisition of public debt to bridge the gap in revenue deficit. Yet, when we look back at the increasing public sector spending, there are concerns that the government spending do not amount to increase in public goods provided for the country. Using data from 1980 to 2014 the study therefore seeks to investigate the factors responsible for the poor provision of public goods in the face of increasing public debt profile. Using the unrestricted VAR model Governance and Tax revenue were introduced into the model as structural variables. The result suggested that governance and tax revenue were structural determinants of the effectiveness of public goods provisioning in Nigeria. The study therefore identified weak governance as the major reason for the non-provision of public goods in Nigeria. While tax revenue exerted positive influence on the provisions of public goods, weak/poor governance was observed to crowd the benefits from increase tax revenue. The study therefore recommends reappraisal of the governance system in Nigeria. Elected officers in governance should be more transparent and accountable to the electorates they represent. Furthermore, the study advocates for an annual auditing of all government MDAs accounts by external auditors to ensure (a) accountability of public debts utilization, (b) transparent in implementation of program support funds, (c) integrity of agencies responsible for program management, and (d) measuring program effectiveness with amount of funds expended.

Keywords : impulse response function, public debt shocks, governance, public goods, tax revenue, vector auto-regression

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