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Abstract

In managing a mono-p ollow revenue patterns in cycles of boom and bust in crude oil prices. Thus, fiscal policy becomes procyclical, which is an indicator of poor fiscal management. To arrest this situation, the government established a stabilization fund in 2004. The objective of this article is to provide a better understanding of the role of a stabilization fund in the fiscal management of the Nigerian economy. This is done using an econometric model framework that explains both government spending and fiscal balance as a share of GDP while controlling for a set of economic and demographic variables. The results indicate that the establishment of a stabilization fund has no moderating effect on government spending behaviour. Moreover, the evidence shows that the stabilization fund has a positive impact on fiscal balance during the sample period.

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