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**Joint Statement by Mr. Mohieldin, Mr. El Qorchi, Mr. Akosah, and Mr. Al-Kohlany on  
Nigeria  
(Preliminary)  
Executive Board Meeting  
February 6, 2023**

We thank staff for the comprehensive set of reports and Mr. Nakunyada, Ms. Vumendlini and Mr. Okeocha for their informative Buff statement. We broadly agree with the thrust of staff appraisal and recommendations.

**Nigerian economy has showed steady recovery in the post-pandemic supported by agriculture, favorable oil prices and strong domestic demand.** However, growth prospects face significant downside risks, including synchronized global tightening of financing conditions, increased security and technical challenges facing oil production and impact of a potential climate-related natural disasters on agriculture. In addition, the current accommodative policy stance in conjunction with the limited FX adjustments has engendered considerable reserves losses, large financing needs, and elevated inflation pressures, markedly heightening the economic scarring effects on the most vulnerable. Against this backdrop, we support staff's call for an accelerated implementation of long-standing policy recommendations and structural reforms committed under the 2020 Rapid Financing Instrument (RFI) loan agreement to restore macroeconomic stability.

**Implementing bold reforms to minimize fiscal risks is a priority.** We take positive note that the Nigerian authorities have responded to the cost-of-living crisis by using broad policies to help cushion vulnerable people and businesses from the shock. We, however, emphasize the need to strengthen policy priorities towards boosting domestic revenue mobilization via streamlining of tax exemptions and tax expenditures and automation of tax administration, while deepening spending efficiency to create buffers for intensive targeted social safety nets. That said, welcome the authorities' commitment to removing fuel subsidies by mid-2023, while urging them to strengthen SOEs governance and intensify measures to tackle oil theft. In addition, enhancing the quality, coverage, and timeliness of

fiscal reports—including NNPC’s oil fiscal transfers—is highly critical to improve fiscal transparency and the assessment of fiscal and debt sustainability. On debt, we take positive note of the authorities’ plan to meet near-term fiscal financing needs largely through domestic and concessional IFI borrowing - including the allocated SDR.

**Steadfast and effective tightening of monetary conditions is critical to tackle elevated inflation pressures.** We take positive note that the Central Bank of Nigeria (CBN) has successively raised policy rates, phased out covid-19 related interest rate forbearance, and increased cash reserve ratio for banks to tame inflation. Notwithstanding these tightening—measures, the real policy rate is still negative while strong monetary expansion lingers primarily driven by continued central bank financing of the budget. Accordingly, we concur on the need for the CBN to strengthen policy tightening until the underlying inflation is on a decisive declining path to help avert risks of de-anchoring of inflation expectations. In this regard, modernizing monetary policy operations, deepening data-driven decision-making processes, phasing out quasi-fiscal activities, strengthening CBN’s autonomy and governance, and reestablishing the primacy of price stability would be key to addressing entrenched inflation pressures.

**Promoting greater exchange rate flexibility is a priority.** It is concerning that FX pressures continue despite considerable improvement in current account balance. In this context, we join staff to stress the need for the authorities to strengthen reforms towards a unified and market-clearing exchange rate to help reestablish confidence, buildup buffers, address persistent FX shortages, and reduce parallel market premiums, which are contributing to elevated inflation. *We welcome staff assessment on the operation of multiple exchange rate windows system by the CBN in view of Fund’s MCP concerns.*

**On the financial sector,** while the banking industry remains broadly sound, profitable, and liquid, the rising exposure to government is source of concern. It is therefore important for CBN to strengthen monitoring of risk build-up and address systemic vulnerabilities to safeguard financial stability. Furthermore, we welcome the CBN’s updated financial inclusion strategy focusing on payment system and fintech innovations to address obstacles to inclusion, including low financial literacy and to improve financial access especially for women. We acknowledge the progress made with the launch of the central bank digital currency (CBDC) as only the second publicly available CBDC following the Bahamas. *Can staff provide further details on the technical assistance provided to support the authorities in their CBDC efforts?* Staff’s concerns that the CBDC is crowding out private sector in the domain of financial inclusion is a relevant question beyond Nigeria, and we encourage staff to maintain close engagement with the authorities to address this challenge and use the Nigerian experience to inform the design of future CBDCs.

**Deepening reforms towards addressing supply-side bottlenecks to growth, strengthening economic resilience, and fostering the green transition are a priority.**

Tackling the tailbacks in the agricultural sector is key to strengthening job creation and food security. We encourage the authorities to also accelerate the implementation of oil sector reform—including publication of audit of oil fiscal revenues received from the NNPC—to boost fiscal credibility and sustainability. We welcome the enactment of the Proceeds of Crimes Bill to help limit corruption incidence, and support staff call on the authorities to strengthen complementary measures to improve conviction and prosecution rates. Strengthening efforts to effectively address challenges to AML/CFT compliance would be important to preserve financial stability and forestall FATF grey listing. Considering Nigeria’s increased vulnerability to climate-related shocks, it is of paramount importance to strengthen climate adaptation and mitigation measures—including climate-sensitive PFIM—to foster macroeconomic resilience and enhance inclusive, green, and sustainable growth. **Leveraging Fund CD and surveillance supports in indispensable for Nigeria’s reform agenda.**

With these comments, we wish the authorities well in their endeavors.