

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

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May 25, 1984

To: Members of the Executive Board

From: The Secretary

Subject: Nigeria - Exchange System

The attached paper on certain modifications relating to Nigeria's exchange and trade system is circulated for the information of the Executive Directors.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Nigeria--Exchange System

Prepared by the African Department and the Exchange
and Trade Relations Department

(In connection with the Legal Department)

Approved by Rattan J. Bhatia and W.A. Beveridge

May 24, 1984

In the attached circular dated May 9, 1984 the Nigerian authorities have communicated to the Fund measures adopted by the Federal Military Government of Nigeria modifying the exchange and trade system. The changes, effective since May 9, 1984, affect regulations governing the payments for imports, remittances abroad by expatriates, and the exportation of Nigerian currency.

1. The compulsory advance import deposit scheme has been abolished, thus eliminating the associated multiple currency practice. Previously, all imports had been subject to noninterest-bearing advance deposits, ranging from 10 percent for raw materials to 250 percent for motor vehicles and certain other luxury goods, with a modal value of 50 percent for most categories of imports.
2. The maximum amount of allowance for remittances abroad by expatriates employed in Nigeria was reduced from 50 percent to 25 percent of net income.
3. The amount of naira, the national currency, which travelers may take out of the country for the payment of minor expenses upon return to Nigeria, has been reduced from ₦50 to ₦20.

The staff welcomes the removal of the multiple currency practice, but notes that the measure described in 2, above, represents an intensification of an exchange restriction subject to Fund approval under Article VIII, Section 2. As described in the staff report on the 1983 Article IV consultation with Nigeria (SM/84/17, 1/12/84 and Supplement 1, 2/7/84), Nigeria maintains a complex system of restrictions on payments for current international transactions, including, as of end-1983, some US\$5.9 billion of external arrears relating to import payments. Approval for the maintenance of exchange restrictions by Nigeria was not granted at the time of that consultation. As noted in the staff report, the further intensification of exchange restrictions is inconsistent with Nigeria's need for adjustment, and the Chairman's summing up at the conclusion of the 1983 Article IV consultation pointed to the crucial need for a progressive liberalization of imports and exchange restrictions. Executive Board approval of the intensified exchange restrictions maintained by Nigeria is, therefore, not recommended at this time.

CENTRAL BANK OF NIGERIA, LAGOS

9th May, 1984

ref: ECD/AD/112/84

TO ALL AUTHORISED DEALERS

EXCHANGE CONTROL PROVISIONS OF THE 1984 FEDERAL
MILITARY GOVERNMENT BUDGET

In pursuance of the Exchange Control measures announced in the Federal Military Government Budget, the following changes, which take immediate effect, are hereby notified:

I. COMPULSORY ADVANCE DEPOSIT

The Compulsory Advance Deposit is abolished.

II. EXPATRIATE PERSONAL HOME REMITTANCE

The maximum amount allowed as home remittances to expatriates employed in both the public and private sectors has been reduced from 50 percent to 25 percent of net income.

III. REPATRIATION OF FOREIGN EXCHANGE PROCEEDS

Government has decided to prosecute exporters or commission agents who fail to repatriate foreign exchange proceeds of their exports or commissions. Such defaulters will henceforth be prosecuted under the provisions of the Exchange Control Anti-Sabotage Decree 1984.

IV. BASIC TRAVEL ALLOWANCE

The amount of Naira which may be taken out of the country to facilitate payment for minor expenses on return to Nigeria from overseas travel is reduced from ₦ 50 to ₦ 20.

All other Exchange Control measures introduced earlier in 1984 as notified in our various circulars remain in force, except as modified by this circular.

V.A. ODOZI
Actg. DIRECTOR OF EXCHANGE CONTROL