

SU/20/79

April 28, 2020

**The Acting Chair's Summing Up
Nigeria—Request for Purchase Under the Rapid Financing Instrument
Executive Board Meeting 20/52
April 28, 2020**

Executive Directors noted that the COVID-19 outbreak—magnified by the sharp fall in international oil prices and reduced global demand for oil products—is severely impacting economic activity in Nigeria. The shocks have increased vulnerabilities, creating large external and financing needs for 2020. Further declines in oil prices and more protracted containment measures would seriously affect the real and financial sectors while straining the country's finances.

Directors welcomed the authorities' immediate actions to respond to the crisis. They supported the short-term focus on fiscal accommodation to allow for higher health spending and help alleviate the impact of the crisis on households and businesses through well-targeted and cost-effective measures. Directors emphasized caution in easing monetary policy in view of potential inflationary pressures but urged close monitoring of the situation. They welcomed the steps taken toward a more unified and flexible exchange rate and urged the authorities to expedite its unification.

Directors underscored the authorities' commitment to medium-term macroeconomic stability once the COVID-19 crisis passes. They stressed the importance of returning to revenue-based fiscal consolidation, which will be essential to ensure debt remains sustainable while creating space for priority spending and avoiding recourse to central bank financing. The authorities' commitment to continue to strengthen financial supervision and regulation to safeguard macro-financial stability is also crucial. Directors called for the swift implementation of the reform priorities under the Economic Recovery and Growth Plan, particularly on power and governance. In this context, a number of Directors considered that an upper-credit-tranche program, put in place at the appropriate time, could help address Nigeria's medium-term challenges, including structural reforms.

Directors noted that the emergency financing under the RFI will provide much needed liquidity support to respond to Nigeria's urgent BOP and fiscal needs. Additional assistance from development partners will be required to support the authorities' efforts and close the large financing gap. To ensure emergency funds are used for their intended purposes, Directors underscored the importance of proper governance arrangements through an independent audit of crisis-mitigating spending and publication of procurement plans including the names of beneficial owners. The authorities' commitment to undergo a new safeguards assessment by the Fund is also welcome.