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January 25, 2021

**Statement by Mr. Pösö and Ms. Skrivere on Nigeria
(Preliminary)
Executive Board Meeting
January 27, 2021**

We thank staff for the comprehensive set of reports and Mr. Odonye, Mr. Ekeocha, and Mr. Garang for their helpful Buff statement. We share staff's assessment and offer the following points on fiscal policy, transparency and good governance, exchange rate and monetary policy, and structural reform agenda for emphasis.

Given increasingly constrained cyclical policy levers, revenue-based fiscal consolidation should be pursued over the medium term to create space for capital and priority spending and to reduce debt vulnerabilities. We welcome the authorities' fiscal policy efforts in response to the crisis, including the removal of fuel subsidies and prioritization of spending. As fiscal deficit and debt servicing risks are likely to remain elevated, we share staff's recommendation on the need to implement further fiscal consolidation measures over the medium term, including by removing tax exemptions and broadening the tax base. At the same time, we agree with staff on the importance of accompanying the reforms with adequate social safeguards to mitigate the impact on the most vulnerable.

We emphasize the importance of transparency and good governance. We welcome the progress on implementing the governance safeguards committed in the context of the RFI, including the creation of specific budget lines and publishing of procurement contracts. We encourage further progress to improve the ease of accessing the data and ensuring that the information is complete and published in a timely manner. We urge further efforts to strengthen Nigeria's anti-corruption and AML/CFT frameworks and their effective implementation. In the spirit of transparency, we encourage the authorities to consent to the publication of the Article IV report.

We share staff's recommendations on the need for a more flexible exchange rate regime and a more domestically oriented monetary policy strategy to instill confidence and improve transparency. We encourage the CBN to continue on a path of relying more on traditional monetary policy measures, further strengthen the framework's transparency and predictability, discontinue quasi-fiscal operations, and move towards a unified market-based exchange rate. The multiple currency practices should be eliminated as soon as possible. We encourage measures to further strengthen the autonomy and governance of the central bank, in line with the findings of the ongoing safeguards assessment.

Trade openness and international competition can lead to economic diversification and growth. The staff report makes a strong case for the benefits of trade openness and international competition, and we encourage the authorities to consider reversing the recently stepped-up protectionist measures. We particularly appreciate the analysis of other countries' diversification experience. The Fund is in a unique position to provide such cross-country comparisons, and we welcome that bilateral surveillance is gradually resuming across the membership. We would also like to thank staff for the helpful information provided in Annex II on the status of past Fund recommendations and Annex VII on the capacity development strategy, as we see it as essential to regularly follow-up on the traction of the Fund's advice to better focus staff's efforts and resources.