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Joint Statement by Mr. Buissé, Ms. Riach, Mr. Rozan, Mr. Comolet, and Ms. Nelson on Nigeria
(Preliminary)
Executive Board Meeting
January 27, 2021

We thank staff for the excellent set of papers and Mr. Odonye, Mr. Ekeocha and Mr. Garang for their helpful buff statement.

We agree with staff that Nigeria is at a critical juncture. The twin shocks of COVID-19 and the collapse in oil prices has severely hit the country and we commend the authorities for their response so far, particularly the initial actions to adjust the over-valued exchange rate, the significant reforms in the energy sector, and the measures to protect livelihoods. However, Nigeria entered the crisis with a weak medium-term growth outlook, exhausted economic buffers and a pressing and wide-ranging reform agenda necessary to achieving its growth and development ambitions. As staff illustrate, under current policies, Nigeria's recovery is expected to be weak and drawn out, resulting in per capita GDP growth that is woefully inadequate to raise living standards. We therefore support the staff advice throughout the report for the authorities to re-set macroeconomic policy and implement broad based structural reforms to correct long-standing imbalances and ignite strong, sustainable and inclusive growth. Coordination with the World Bank Group, on the back of the adoption of its own strategy for the country, is critical to achieve these ambitions.

We welcome progress in implementing the commitments in the RFI Letter-of-Intent on the transparency and accountability of COVID related spending. That said, we hope that the challenges on user access to the Transparency Portal will be rectified as soon as possible and we urge the authorities to complete missing procurement contract details on beneficial ownership swiftly.

We agree with staff that fiscal policy should remain focused in the short run on addressing the impact of the pandemic. We also urge the authorities to swiftly develop a financed plan for a COVID vaccine roll-out, including contingency plans to account for the risk of vaccine financing gaps emerging. While the authorities have used fiscal policy to respond to the crisis, we commend them for their measures to limit the fiscal deficit and encourage continued actions to sustain this**.** We particularly welcome the resolve shown by the authorities in implementing a VAT increase, reducing wasteful expenditures including costly and inefficient fuel and power subsidies, and reprioritizing expenditure in the supplementary budget. Looking ahead, we welcome the strong commitments from the authorities to prevent fuel subsidies from resurfacing and to retain the removal of exemptions. *Could staff elaborate on the social impact of those measures, particularly the VAT increase, and potential mitigating policies?* We also strongly support the staff recommendation that Nigeria should implement a plan to improve revenue policy and administration, consistent with its revenue collection objectives. This is the only way to place government finances onto a more sustainable footing and to also ensure that priority expenditures are adequately financed, including expenditures necessary to strengthen the social safety net, which will be critical in protecting the poor from the negative impacts of reforms.

While debt is assessed as sustainable, we share staff concerns on liquidity-based indicators. The high share of government revenue absorbed by the interest bill is striking and leaves Nigeria's debt servicing capacity vulnerable to shocks. This again underscores the need for revenue based fiscal consolidation over the medium term. We understand that the authorities have not requested to participate in the G20/Paris Club DSSI initiative. *Could staff explain why this decision has been reached? Could staff also elaborate on the composition of Nigeria's debt and whether the authorities have approached any of its major creditors outside of the DSSI for relief?*

We support the staff recommendation that price stability should be the primary objective of monetary policy. The CBN is trying to achieve too many objectives and therefore has an over-extended mandate. We encourage the authorities to adopt a framework for near and longer-term actions to reconfigure the monetary policy framework along the lines proposed in the selected issues paper on a Strategy for Monetary Policy Reset. Careful sequencing of these actions to minimize side effects would be fundamental, particularly in this time of crisis.

We strongly agree with staff on the fundamental need for a reset on exchange rate policy. The unification of the official exchange rate with major market export windows in mid-2020 was a welcome step. However, further action is needed. As staff highlight, the stable exchange rate policy has delivered little benefit, contributing instead to external vulnerabilities and preventing the diversification of exports and the wider economy. Exchange rate policy also continues to be opaque. Meanwhile, the system of multiple exchange rates distorts economic signals and deters domestic and international investment. We therefore strongly support the multi-step approach to exchange rate unification and flexibility set out in the staff report, and the proposed approach to mitigating risks appears to be sensible. We note a divergence between the commitments set out in the RFI Letter-of-Intent and the authorities views set out in the staff report, and encourage staff and the authorities to continue to work together to come to a converged view on the exchange rate regime.

We commend the authorities for their progress on structural reforms but encourage them to broaden their reform agenda. As staff highlights, broad based market reforms are needed to promote economic diversification and create jobs at the scale needed to absorb the projected 54 million new entrants to the labor force over the next decade. We are pleased to see the reforms underway in the fuel and power sector, including the recent submission of the Petroleum Industry Bill to the parliament. *Staff comments on how international companies assess the Petroleum Industry Bill would be useful.* We also strongly welcome the passage of the Companies and Allied Matters Act. This Act is integral to combatting corruption, money laundering and terrorism, and can underpin important efforts in the oil, gas and mining sectors to record and verify beneficial ownership. Beyond these endeavors, we urge the authorities to embark on broad based, ambitious and sustained reform efforts, and we support staff advice in this regard, including the recommendations in the selected issues paper to catalyze economic diversification.

Finally, we encourage the authorities to make good use of IMF advice and resources to help break from the pre-COVID business-as-usual scenario. As evidenced by other countries, the authorities may find that an ambitious reform agenda will be less painful to implement with the help of increased IMF support, including through a UCT quality program. We note the comprehensive CD strategy outlined in the annex and encourage staff to make long-term technical advisors available to the authorities.