INTERNATIONAL MONETARY FUND

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NIGERIA

April 2020

REQUEST FOR PURCHASE UNDER THE RAPID FINANCING INSTRUMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR NIGERIA

In the context of the Request for Purchase under the Rapid Financing Instrument, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on April 28, 2020, following discussions that ended on April 21, 2020, with the officials of Nigeria on economic developments and policies underpinning the IMF arrangement under the Rapid Financing Instrument. Based on information available at the time of these discussions, the staff report was completed on April 22, 2020.
- A **Statement by the Executive Director** for Nigeria.

The documents listed below have been or will be separately released:

Letter of Intent sent to the IMF by the authorities of Nigeria*

*Also included in Staff Report

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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PRESS RELEASE

PR 20/191

IMF Executive Board Approves US$ 3.4 Billion in Emergency Support to Nigeria to address the COVID-19 Pandemic

FOR IMMEDIATE RELEASE

- The IMF approved US$3.4 billion in emergency financial assistance under the Rapid Financing Instrument to support the authorities' efforts in addressing the severe economic impact of the COVID-19 shock and the sharp fall in oil prices.
- The COVID-19 outbreak has magnified existing vulnerabilities, leading to a historic contraction in real GDP growth and to large external and fiscal financing needs.
- Once the impact of the COVID-19 shock passes, the authorities' commitment to medium-term macroeconomic stability remains crucial to support the recovery and ensure debt remains sustainable.

Washington, DC – April 28, 2020. The Executive Board of the International Monetary Fund (IMF) approved Nigeria's request for emergency financial assistance of SDR 2,454.5 million (US$ 3.4 billion, 100 percent of quota) under the Rapid Financing Instrument (RFI) to meet the urgent balance of payment needs stemming from the outbreak of the COVID-19 pandemic.

The near-term economic impact of COVID-19 is expected to be severe, while already high downside risks have increased. Even before the COVID-19 outbreak, Nigeria's economy was facing headwinds from rising external vulnerabilities and falling per capita GDP levels. The pandemic—along with the sharp fall in oil prices—has magnified the vulnerabilities, leading to a historic decline in growth and large financing needs.

The IMF financial support will help limit the decline in international reserves and provide financing to the budget for targeted and temporary spending increases aimed at containing and mitigating the economic impact of the pandemic and of the sharp fall in international oil prices.

The IMF remains closely engaged with the Nigerian authorities and stands ready to provide policy advice and further support, as needed.

Following the Executive Board's discussion of Nigeria, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, issued the following statement:

"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. These shocks have created large external and financing needs for 2020. Additional declines in oil prices and more protracted containment measures would seriously affect the real and financial sectors and strain the country's financing.

"The authorities' immediate actions to respond to the crisis are welcome. The short-term focus on fiscal accommodation would allow for higher health spending and help alleviate the impact of the crisis on households and businesses. Steps taken toward a more unified and flexible exchange rate are also important and unification of the exchange rate should be expedited.

"Once the COVID-19 crisis passes, the focus should remain on medium-term macroeconomic stability, with revenue-based fiscal consolidation essential to keep Nigeria's debt sustainable and create fiscal space for priority spending. Implementation of the reform priorities under the Economic Recovery and Growth Plan, particularly on power and governance, remains crucial to boost growth over the medium term.

"The emergency financing under the RFI will provide much needed liquidity support to respond to the urgent BOP needs. Additional assistance from development partners will be required to support the government's efforts and close the large financing gap. The implementation of proper governance arrangements—including through the publication and independent audit of crisis-mitigating spending and procurement processes—is crucial to ensure emergency funds are used for their intended purposes."

More information:

IMF Lending Tracker (emergency financing request approved by the IMF Executive Board)
https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker

IMF Executive Board calendar
https://www.imf.org/external/NP/SEC/bc/eng/index.aspx

NIGERIA

REQUEST FOR PURCHASE UNDER THE RAPID FINANCING INSTRUMENT

April 22, 2020

EXECUTIVE SUMMARY

Context. The COVID-19 pandemic is severely impacting economic activity. The sharp fall in international oil prices and reduced global demand for Nigeria's oil products are worsening the fiscal and external positions, as Nigeria's oil and gas exports (84 percent of total exports) are expected to fall by more than $26½ billion. The economy is projected to contract by almost 3½ percent in 2020, a six-percentage point drop relative to pre-COVID-19 projections. The already high downside risks—particularly from sharper and protracted falls in oil prices, a declining oil production from future OPEC caps or inability to sell oil cargoes, and more protracted disruptions to economic activity due to a more expansive effect of the pandemic—have heightened.

Request for Fund Support. Nigeria faces an immediate balance of payments need given the sharp contraction in oil prices and the COVID-19 pandemic, which, if not addressed, would result in immediate and severe economic disruption. There is also a high degree of uncertainty on the duration and scale of the COVID-19 impact, which imply that an upper credit tranche (UCT) quality program cannot be quickly put in place. The authorities are seeking financial assistance under the IMF's Rapid Financing Instrument (RFI) exogenous shock window of SDR 2454.5 million, equivalent to 100 percent of quota. The authorities intend to use the resources for budget support. Staff supports this request.

Macroeconomic Policies. Since the onset of the crisis, the authorities have allowed greater exchange rate (FX) flexibility and have taken important steps towards unification of existing FX windows, which should be finalized immediately. They have put in place measures to contain the pandemic and mitigate its economic impact. Once the COVID-19 crisis passes, they intend to resume their revenue-based fiscal consolidation program—which they started this year by increasing the VAT rate and introducing an automatic fuel pricing mechanism—while creating fiscal space for priority spending and avoiding recourse to central bank financing. Staff assesses public debt to be sustainable and that there is adequate capacity to repay the Fund. The authorities are committed to continue to strengthen financial supervision and regulation in order to safeguard macro-financial stability.

Governance. To ensure financial assistance received as part of the COVID-19 response is used for intended purposes, the Nigerian authorities committed to undertake an independent audit of crisis-mitigation spending and related procurement processes and to publish procurement plans and notices for all emergency-response activities, including names of awarded companies and beneficial owners.

Approved By
David Owen (AFR) and Maria Gonzalez (SPR)

Discussions took place via videoconference calls during April 17-21, 2020. The team comprised Messrs. Mati (head), Ree, and Yao (all AFR), Mr. Chai (FAD), Mr. Wezel (MCM), and Mr. Lundback (SPR). Ms. Mangga and Mr. Okafor (Resident Representative Office) assisted the mission. Ms. Rahman (incoming Senior Resident Representative/Mission Chief) joined the calls. The IMF team held videoconference calls with Vice President Osinbajo; Minister of Finance, Budget and National Planning Ahmed, Central Bank Governor Emefiele and other senior government officials. Ms. Margevich and Ms. Synak provided excellent assistance for the preparation of this report.

CONTENTS

RECENT DEVELOPMENTS

1. **Nigeria's economy was facing headwinds even before the COVID-19 outbreak.** Growth, which averaged 2.3 percent in 2019—helped by a boost in services in the fourth quarter of 2019—has remained firmly below population growth for the past four years. Increased regulatory risk, segmented foreign exchange markets, higher recourse to central bank financing, low revenue mobilization—in addition to infrastructure and governance challenges—undermined confidence in the economy and hampered long-term investment.

2. **Vulnerabilities—particularly external—increased in 2019**. International reserves—almost half of which were the counterpart of short-term naira debt issued to non-residents at high rates by the Central Bank of Nigeria—fell, reflecting portfolio outflows and a deteriorating current account, which shifted into a substantial deficit as the goods and services trade balance deteriorated by 5.5 percent of GDP in 2019. As a result, international reserves had fallen to $36.7 billion by January 2020 (about 50 percent of the Fund's ARA metric + oil buffer).

3. **High fiscal deficits are complicating monetary policy.** Optimistic budget targets led to large revenue shortfalls in 2019 (about 58 percent of the budget target)—which widened the overall federal government (FG) deficit to 4.8 percent of GDP in 2019, despite improved non-oil revenue (which remained one of the lowest in the world). This deficit was largely financed by the Central Bank of Nigeria (CBN). The interest payments to federal government (FG) revenue ratio remained high at about 58 percent (21 percent at consolidated government level) while the debt-to-GDP ratio reached 29 percent of GDP in 2019.

4. **Before the onset of the crisis, the generally well-capitalized banking system had seen both its liquidity and solvency ratios rising, while NPLs had fallen.** Accelerated loan write-offs and recent government arrears clearance to bank borrowers—as well as a pick-up in lending—have halved the NPL ratio to 6 percent in 2019. High risk-weighted assets and deferred IFRS9 related impairment charges have reduced the overall solvency ratio by 0.7 percentage points to 14.6 percent at end-2019 (the ratio would have been even higher were it not for three small insolvent banks). Banks remain susceptible to deteriorating credit quality due to their exposure to ailing sectors, particularly oil and gas producers (26 percent of total loans). The CBN's imposed caps on bank fees and pressure on net interest income would also limit profitability.

IMPACT OF COVID-19

5. **The COVID-19 pandemic is having a severe impact on Nigeria, particularly as it is associated with a sharp fall in international oil prices.** The number of COVID-19 cases has sharply risen. In response, the government has closed land and air borders and ordered a two-week lockdown (renewed in April 13) of Lagos (21 million people, about a third of Nigeria's GDP), Ogun State (industrial hub) and Abuja (administrative capital). These domestic disruptions are magnified by the sharp collapse in oil prices that will reverberate through the non-oil, non-agricultural economy—which represents 65 percent of GDP and is still in large part dependent on the recycling of petrodollars and FX proceeds. This is worsened further by a collapse in world demand that led to a marked decline in oil shipments (some of Nigeria's cargoes are being sold at steepest discount or have yet to find buyers).

Nigeria: COVID-19 Macroeconomic Impact 2020

	Pre-COVID/1	RFI
National income and prices	(Percent increase)	
Real GDP (at 2010 market prices)	2.5	-3.4
Consumer price index (end of period)	13.0	13.9
Consolidated government operations	(Percent of GDP)	
Total revenues and grants	8.5	4.9
Total expenditure and net lending	13.1	11.7
Overall balance	-4.6	-6.8
External sector		
Current account balance (Percent of GDP)	-1.1	-3.3
Gross international reserves (US$ billions)	36.0	25.3
(equivalent months of imports of G&Ss)	4.8	3.8

Source: Nigerian authorities; and IMF staff estimates.
1/ January 2020 WEO Update

6. **Market dynamics have worsened and have led to an adjustment in the exchange rate**. By end-March, foreign portfolio holdings decreased by 46 percent since the beginning of the year and by almost 60 percent since mid-2019. The official exchange rate has been adjusted by 17½ percent, bringing it much closer to other rates, and the various exchange rate windows have been broadly unified around the rate in the investors and exporters (I&E) window. Spreads on credit default swaps and on 30-year Eurobond yields have widened by 700 and 600 basis points, respectively. On the other hand, domestic bond yields remain low, and for lower maturities, at rates much below inflation. Both Standard and Poor's and Fitch downgraded Nigeria's credit rating.

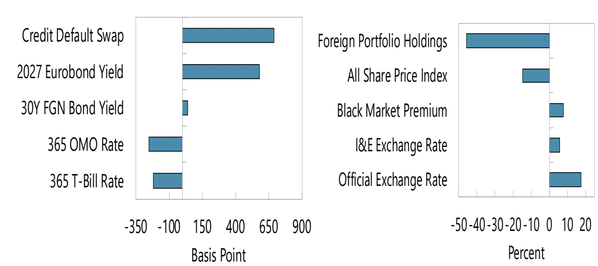
Exchange Rate Windows (April 2020)

Window	Participants	Pre-COVID (N/$)	Current (N/$)	Level of liquidity
Official exchange rate	used for all government transactions, oil revenue,	306.5	360	Low liquidity, only $100,000 to banks daily
Investors and Exports Windows (IEFX)	Investors, Exporters and all market players foreign and domestic	358-366	388	First introduced at N/$380. This is expected to move with market forces.
Retail Secondary Market Intervention Window,	Local corporates, manufacturers	335-360	388	$250 million sold by the CBN every two weeks, spots and forwards
Wholesale Secondary Market Intervention window	Mostly large corporates through banks	335-360	388	$100 million a week pre-COVID, no auction
BDCs, invisibles, travel	Open to all	358-369	388	

Source: Central Bank of Nigeria, Standard Bank Research, FMDQ, and IMF estimates.

Nigeria: Selected Market Indicators

(cumulative change since January 1, 2020)



Source: Central Bank of Nigeria, Bloomberg, Datastream, FMDQ.

7. **The COVID pandemic has created an urgent BOP need.** Concurrent with the decline of oil prices, remittances are expected to decline as well. This shock would be only partially mitigated by lower oil-related imports of goods and services and income outflows, and an overall reduction in imports on the heels of a sharp output contraction and exchange rate depreciation. These challenges have also restrained capital inflows, including dwindling foreign interest in central bank bills (OMOs, about $7.5 billion were held by foreigners as of March 2020— about 43 percent less than in December 2019) leading to exchange rate pressures and declining reserves ($34 billion as of end-March 2020). Some of these pressures are expected to ease in the second half of the year. As a result, the BOP gap for 2020 is estimated at about $14 billion or 3.2 percent of GDP, of which the requested purchase would cover about 24 percent. In addition, the authorities are actively engaged in negotiations with the World Bank, the African Development Bank, and the Islamic Development Bank, and Afreximbank for budget support loans of about $3.6 billion or almost 26 percent of the gap. The rest of the financing gap is expected to be met by further reserve drawdown and through greater exchange rate flexibility.

Nigeria: External Financing Gap 2020

(Billions of U.S. dollars, unless otherwise specified)

		2020	
	2019	Pre-COVID/1	RFI
Current account balance	-17.0	-5.4	-14.7
Trade balance	2.9	14.4	-7.2
Exports	65.0	67.4	37.3
Oil/gas	54.5	59.9	27.8
Imports	-62.1	-53.0	-44.5
Services (net)	-33.8	-32.0	-25.7
Income (net)	-12.5	-14.3	-7.5
Transfers (net)	26.4	26.5	25.8
Financing	13.6	3.3	-1.5
Financial Account (net)	13.6	3.3	-1.5
FDI	1.8	2.1	0.9
Portfolio Investment (net)	9.0	7.6	-2.4
Other Investment (net)	2.8	-6.4	0.0
Overall balance	-5.5	-2.1	-16.2
Financing Gap			14.1
percent of GDP			3.2
RFI			3.4
percent of gap			24.1
Other sources			
World Bank			2.5
African Development Bank			0.5
Islamic Development Bank			0.1
Afrexim Bank			0.5
Total other sources			3.6
percent of gap from other sources			25.5

Source: Nigerian authorities; and IMF staff estimates.

1/ January 2020 WEO Update

8. **The overall general government fiscal deficit for 2020 would widen to 6.8 percent of GDP (from 4.6 percent expected prior to the Covid-19 outbreak).** Total revenue is projected to decline by 3.6 percent of GDP, with the sharp decline in oil revenue following the collapse of oil prices partially offset by a depreciation of the naira. Spending is expected to be lowered from 13.1 percent to 11.7 percent of GDP, with the increases in spending on health (up to 0.3 percent of GDP) and interest payments (0.2 percent of GDP) more than offset by lower fuel subsidies (0.3 percent of GDP) and a contraction of SLGs spending reflecting less resources available to SLGs and a cut in non-essential capital expenditures (0.3 percent of GDP). These were seen necessary by the authorities to create fiscal space, albeit the fiscal support package—and its costing—is still not fully finalized.

9. **The fiscal financing gap remains large at about $11 billion.** Together with a larger deficit, a downward revision in available financing—including less recourse to CBN overdrafts—leads to about $8 billion (2 percent of GDP), even after accounting for RFI purchases. Of that gap, 25 percent will be covered by existing budget support commitments from multilateral institutions. The authorities plan to cover the rest through reprioritization of existing project loans (including from the World Bank and AfDB) towards health spending, drawdown from existing deposits held in accounts of extrabudgetary funds and sovereign wealth funds, as well as domestic borrowing. Staff is of the view that the latter option remains the most appropriate in view of the large stock of maturing OMOs (about N6 trillion domestic), which provides substantial space to issue domestic bonds—which are currently trading at very favorable yields— without crowding out the private sector.

Nigeria: Fiscal Financing Gap 2020

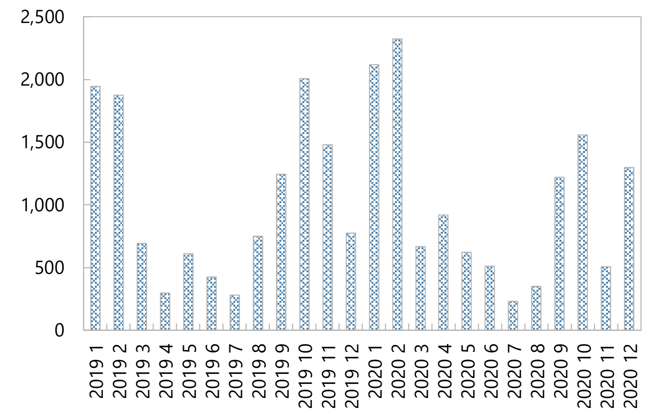
(Billions of Naira)

	Pre-COVID/1	RFI
Total revenue and Grants	13,790	7,722
Total expenditure	21,242	18,279
Overall balance	-7,452	-10,557
Financing	7,452	6,327
External	732	582
Borrowing	894	754
Amortization	-162	-172
Domestic	6,720	5,746
(o.w) Bank financing	5,857	4,857
Financing gap	0	4,229
Exceptional RFI Financing	0	1,228
Remaining Financing Gap	0	3,001

Source: Nigerian authorities; and IMF staff estimates.
1/ January 2020 WEO Update

Maturity Profile of OMO Bills

(Millions of Naira)



Source: Central Bank of Nigeria.

RISKS

10. Already high downside risks to the outlook have heightened. The outlook remains subject to large uncertainty around the external environment, such as the risk of over-supply in the oil market and fast-evolving decline in international oil prices—exacerbated by steep discounts for unsold oil cargoes—and falling global demand with risk of a prolonged global COVID-19 outbreak. Rising unsold cargoes could also impact oil production, which could decline further through OPEC agreed cuts or if prices persist below production costs. The outlook also assumes the COVID-19 spread in Nigeria is contained in H2 2020, with activity starting to recover once the crisis fades away. Any continuous increase in domestic infections that would delay economic normalization would lead to a longer disruption in economic activity. Under such a scenario, economic growth would fall even more sharply, and the fiscal and external financing needs would be larger, straining available financing, and possibly generating spillovers through the rest of the real and financial sectors that could generate additional fiscal costs in some adverse scenarios, including from contingent liabilities. The materialization of risks would require greater domestic policy action and full utilization of the authorities' toolkit; as well as support from development partners. Nigeria-based pan-African banks presents contagion risks from shocks affecting their regional offices.

POLICIES

11. The authorities—in conjunction with the private sector—have taken a number of steps to mitigate the economic impact of COVID-19. These include:

- **Fiscal.** A N500bn COVID-19 crisis intervention Fund has been set up on budget to help cover costs of much needed health equipment (including respirators) and medicine, as well as shore up the economy through public works programs. A temporary fiscal support package—not yet fully costed—is expected to provide relief for taxpayers and incentivize employers to retain and recruit staff during the downturn, through measures such as income tax relief equal to a 50 percent rebate on payroll tax for their employees. Tax policy measures—such as import duty waivers for medicine and medical goods —are also announced. Electricity tariff increases – planned for April 2020 – have been postponed to July. In line with lower international oil prices, regulated fuel prices have been reduced, fuel subsidies eliminated, and an automatic fuel pricing formula has been put in place to ensure fuel subsidies do not reemerge.

Nigeria: Federal Fiscal Measures in Response to COVID-19

	(Billion Naira)	(% GDP)
COVID-19 Crisis Intervention Fund spending	500	0.32
FG current spending	180	0.12
Medical supplies for health facilities and isolation centers		
Testing kits and training of medical personnel		
Grant to pharmaceutical companies to increase production		
Special Public Works Program		
FG capital spending	170	0.11
Upgrade of healthcare facilities		
Expansion of isolations centers		
Special Public Works Program		
Health spending in States	150	0.10
Fiscal relief measures		0.05
Import duty waivers for medicines and medical goods		
Income tax relief equal to a 50% rebate on PAYE payments		
Conditional cash transfer to the households on the social register	72	0.05
Expansion of social register from 2.6m to 3.6m households		
Continuation of school feeding programs even with school closures		
IDPs to receive 2 months' food rations		

Source: Authorities.

- **Monetary and Financial**. The Central Bank of Nigeria has maintained its current policy rate but introduced measures to reduce the burden of the COVID-19 crisis on impacted firms. These include lower interest rates on applicable CBN interventions from 9 to 5 percent, a one year moratorium on interest payments for CBN facilities, and plans to release N3.5 trillion (2.4 percent of GDP) through the banking sector by partially releasing cash reserve requirements at the CBN (currently at 38 percent, higher than the regulatory 27.5 percent) to firms lending to manufacturing, health and hospitality sectors.

- **Exchange Rate Policy.** The authorities have committed to let the I&E rate move in line with market forces, and it has so far depreciated by about 7 percent since January. FX sales to bureau de change (BDCs), previously about $1 billion a month, have been temporarily suspended in view of falling demand for invisibles and BDC operators' health safety concerns linked to COVID-19.

12. Staff supports the authorities' short-term focus on limiting the macro-financial and social impact of the COVID-19 crisis:

- **Fiscal.** A substantial part of the shock would need to be accommodated through the budget. Staff encourages the authorities to urgently present a supplementary budget to parliament reflecting the oil revenue shortfall, higher health spending, and an additional targeted and temporary package to protect the businesses and households impacted, particularly in view of the large size of the informal sector (60 percent). In addition to the measures in the COVID-19 crisis intervention Fund, measures could include extension of filing dates and making use of installment payment arrangements as well as further scaling-up of social transfer programs. Staff welcomes the introduction of an automatic fuel price formula to eliminate fuel subsidies. Staff notes that the proposed cuts/postponement of capital spending (0.3 percent of GDP) or SLG expenditures, which are considered non-essential, should be temporary in view of the country's large infrastructure needs. Business continuity plans should be pursued at both customs and revenue administration to ensure revenue collection is preserved.

- **Financing.** Staff urges the speedy adoption of new borrowing limits to allow additional bond issuance at still favorable rates (pension funds have extra liquidity now that they can no longer use to purchase high-yielding CBN bills because of regulations introduced in October 2019). Results of the last bond auction show strong demand, with an average cover ratio of 4.7 times and the 30-year bond receiving the strongest demand at 7 times the offer at auction.

- **Exchange Rate Policy**. With reserves falling, staff welcomes recent steps taken by the CBN to allow greater flexibility in the Investors & Exporters (I&E) rate and narrow differences between various FX windows. With the spread across the various exchange rate windows now very narrow, this is also a good moment to immediately move to full and formal unification—e.g., by converging all foreign exchange windows to the I&E window. This critical step to ensuring a well-functioning market would be helped by the CBN's calibration of its foreign exchange sales in the market at a level commensurate with protecting central bank reserves while taking into account low international oil prices and reduced FX demand. A unified and more flexible exchange rate will be an important shock absorber, especially in turbulent times— with CBN FX interventions limited to smoothing large fluctuations in the exchange rate. Rationing of foreign exchange—such as occurred in 2015, with damaging consequences—must be avoided as it would hamper trade and investor confidence, hence further delaying the economic recovery once the crisis passes.

- **Monetary Policy.** Staff supports the central bank's caution in easing monetary policy, in view of potential inflationary pressures arising from exchange rate and food supply shocks. Given the uncertainties, however, the situation needs to be monitored closely and adequate liquidity provided if necessary (see below). A sharp increase in outflows, potentially leading to an overshoot in the exchange rate, would pose a difficult dilemma. While a tightening of monetary policy may still be the first-best policy response, it could further damage economic activity. In such a situation, all available policies should be considered.

- **Financial Sector Policies.** Staff supports the CBN's current bank-by-bank approach to assess risks from COVID-19. Banks' own capital and liquidity buffers should remain the first line of defense, which in the case of Nigeria means that supervisors could temporarily allow banks to drop below the minimum capital requirement (currently 15 percent for large banks, which is significantly above the Basel II 8 percent requirement). To be able to withstand large liquidity shocks, the CBN should intensify its monitoring of banks' liquidity, particularly in foreign currency, and release the high effective CRRs as needed. Staff also supports the CBN in having banks consider temporary restructuring of loan terms but cautions that such relief should be provided only to fundamentally sound borrowers. In any case, loan classification and provisioning standards should not be relaxed. The CBN should also continue to strictly enforce the prudential FX exposure limits. Cross-border contagion risk will be reduced by having Nigerian banks' foreign subsidiaries hold additional capital cushions well beyond local capital requirements, which lessens the need to support them in stressed conditions.

13. Actions in the short term should not lose sight of the major medium-term adjustments needed to contain vulnerabilities and unlock growth. Once the COVID-19 crisis passes, revenue-based fiscal consolidation should resume to eliminate central bank financing and create space for priority spending, as reflected in the LOI ¶7. Along with exchange rate unification, existing FX restrictions on goods imports should be removed and monetary policy tightening through more orthodox tools (i.e., no discretionary CRR that distorts banks' liquidity management) resumed to enable the CBN to reach its single digit inflation target. Banking sector resilience should continue to be enhanced though stronger bank resolution mechanisms and on-site and off-site supervision. Recent regulations to spur lending through the loan-to-deposit ratio, which encourages higher credit risk and a shorter maturity structure, should be eliminated. Accelerating structural reforms—particularly in the power sector—would be needed to lay the foundation for a diversified private-sector led economy.

14. Anti-corruption and governance efforts should continue to be strengthened, including by strengthening the role of the Federal Audit Board, increasing resources available to anti-corruption agencies, strengthening the asset declaration framework, implementing the risk-based approach to AML/CFT supervision and ensuring the transparency of beneficial ownership of legal persons. To ensure financial assistance received as part of the COVID-19 response is used for intended purposes, staff supports the authorities' commitments to: (i) undertake an independent audit of crisis-mitigation spending and related procurement processes once the crisis abates and publish the results; and (ii) publish procurement plans and notices for all emergency-response activities, including names of awarded companies and beneficial owners (LOI, ¶8).

DEBT SUSTAINABILITY

15. Public debt is projected to remain sustainable under a variety of shocks, albeit liquidity-based indicators remain a concern and make Nigeria's low debt-to-GDP ratio highly vulnerable to shocks. Under staff's baseline, public debt will increase to 34.8 percent of GDP in 2020 (including the RFI purchases), would reach 37.4 percent in 2022 and come down to 36.3 percent in 2025, significantly below most emerging market peers' debt levels. Nevertheless, government interest payments would continue to absorb a large share of federal government revenues over the medium term under current policies, making the otherwise low debt-to-GDP ratio highly vulnerable to shocks. These risks are partially mitigated after accounting for extrabudgetary revenue (as the authorities currently plan to stop some of the earmarked funds for certain activities, such as the Road Fund or Tobacco Fund) and state and local government revenue; access to these resources in the case of an emergency would allow the ratio would remain high but manageable at between 20 to 30 percent of consolidated government revenue.

16. Contingent liabilities present an additional fiscal risk, including both the explicit contingent liabilities of the federal government (about 3 percent of GDP) as well as the non-guaranteed liabilities of government owned entities and certain PPP and energy-related projects (see Annex I-DSA). The stress test scenario points to continued vulnerability to a low growth/wider primary deficit scenario.

AUTHORITIES' VIEWS

17. The authorities noted they have set up an Economic Sustainability Committee—chaired by the Vice President—to devise strategies to ensure the impact of COVID-19 on the economy is limited. The Presidential Economic Advisory Council is also working on assessing the macroeconomic policy measures needed to ensure macroeconomic stability and reduce poverty. This ongoing work on the macroeconomy complements the various high-level working groups set up to respond and coordinate the immediate health response.

18. The authorities have indicated that they are committed to ensuring debt remains sustainable by pursuing revenue-based fiscal consolidation. In this regard, they emphasize that their Economic Recovery and Growth Plan (ERGP) will include additional transformative measures that will help them achieve their 15 percent of GDP revenue objective within five years (LOI ¶7). Such steps—both through tax policy and administration reforms—would help ensure the interest payments to revenue ratio remain sustainable, even at the federal government Level. The authorities also point out that earmarked revenue in extrabudgetary funds—as was the case this year—could also be used to strengthen revenue resources.

19. The authorities expressed strong support for the IMF/World Bank's call on debt service suspension from official creditors and are following up on this matter with bilateral creditors. Savings from bilateral debt service suspension for the rest of 2020 would remain modest at about $165 million.

Nigeria: External Debt Service

(Millions of Dollars)

	2020
AfDB	110
IDA	335
IFAD etc.	65
Bilateral	281
of which: May-December	165
Eurobond	823
Diaspora	17

Source: Nigerian authorities.

20. The authorities reiterated their commitment to governance reform. They noted they are planning to take all the necessary steps to ensure that crisis funding is used for its intended purpose. In particular, they assured that adequate resources will be provided to relevant governance institutions, including the Auditor General of the Federation—which will spearhead an independent audit of COVID-19 emergency response expenditures. They were confident that the audit can be completed expeditiously as this is a special accounting exercise for only a few budget lines, which will be created specifically for these spending and will be posted contemporaneously in the treasury online portal.

21. The CBN noted that their recent actions show their commitment to greater market-determined exchange rate flexibility and towards more unified exchange rates. They highlighted that the I&E market remains a willing buyer and seller market, in which investors are free to obtain their money. They note they are continuing to observe the market and will only intervene at the appropriate time to smooth potential large FX fluctuations. They state that the official rate has been adjusted and will continue to reflect economic fundamentals going forward.

22. The CBN reiterated that it has maintained a cautious view on the monetary policy stance to avoid exacerbating inflationary pressures, which would increase pressure on reserves and the exchange rate. It stated that maturing OMOs already provide liquidity in the system, which is also being helped by the unprecedented COVID-19 plan to support households, SMEs and the healthcare sector.

23. The CBN stressed that it is actively monitoring the COVID-19 crisis impact on banks. It remains confident about the resilience of the banking system as recent stress tests indicate that capital buffers will remain above 10 percent even at current low oil prices. With that in mind, they agreed with staff that the use of banks' own capital buffers should remain the first line of defense to address the COVID-19 shock. The CBN has also allowed regulatory forbearance to restructure loans from affected sectors, but has stressed these will be temporary, and have first to be approved by the CBN's banking supervision department. Impact assessment of how COVID-19 uncertainties will affect IFRS 9 impairment computations is also ongoing. In addition, the CBN noted that it has strengthened its financial sector oversight and reporting mechanisms, particularly regarding foreign exchange assets and liabilities risk.

MODALITIES OF SUPPORT

24. Staff proposes to provide support to Nigeria of 100 percent of quota (SDR 2.45 billion) under the RFI. Nigeria meets the eligibility requirements for support under the RFI, as it has an urgent balance of payments need which, if not addressed, will result in an immediate and more severe economic disruption than currently envisaged. It is also not feasible at this stage to put in place an upper-credit-tranche (UCT) Fund program due to the urgent needs facing the country as well as the high degree of uncertainty regarding the duration and scale of the COVID-19 epidemic. Nigeria is assessed as having sustainable debt and capacity to repay the Fund despite some risks (Table 9). The authorities have indicated their intention to cooperate with the Fund and pursue economic policies appropriate for addressing the impact of COVID-19.

25. Staff considers access of 100 percent of quota under the RFI appropriate. Nigeria does not currently have an IMF arrangement and 100 percent is within the applicable access limits under the RFI. The proposed access is 24 percent of the estimated BOP financing gap. Remaining needs are expected to be filled by other development partners and further policy adjustments.

26. RFI purchases will be made to the Central Bank of Nigeria and on-lent to the Nigerian government to provide fiscal financing and support COVID-19 related spending. The proposed access is insufficient to cover the full fiscal financing gap but the authorities are actively seeking further support from bilateral and multilateral sources (emergency AfDB, WB, IsDB and Afreximbank). Budget support of about $3.6 billion is currently planned for 2020, with some additional financing for 2021 already identified. A Memorandum of Understanding between the CBN and the government will be signed to, inter alia, ensure CBN and Ministry of Finance responsibilities for servicing financial obligations to the IMF are clearly established.

27. The authorities commit to undergoing a safeguards assessment as soon as feasible. They will provide Fund staff with the necessary central bank audit reports and have authorized the external auditors of the Central Bank of Nigeria to hold discussions with staff.

28. Risks to Nigeria's capacity to repay are mitigated by the authorities' resolve to allow greater exchange rate flexibility, their planned resumption of revenue-based fiscal consolidation, implementation of the power sector reforms once the COVID-19 crisis passes, and their commitment to a continued close dialogue with the Fund. Downside risks include the substantial deterioration in sovereign spreads and a peak of RFI-related obligations to the Fund that remain high as a share of exports or reserves (close to the 80th percentile of a comparable group of lower-middle income Fund borrowers).

STAFF APPRAISAL

29. The COVID-19 outbreak is having a severe impact on Nigeria, while already high downside risks have heightened. Even before the COVID-19 outbreak, Nigeria's economy was facing headwinds from rising external vulnerabilities and falling per capita GDP levels. The pandemic—along with the sharp fall in oil prices—has magnified the vulnerabilities, as real GDP growth is expected to decline to a historic low of -3.4 percent and create a large external and fiscal financing needs in 2020. Downside risks—particularly from a further collapse in oil prices/production and more protracted containment measures—have heightened; were these to materialize, they could seriously affect the real and financial sectors while straining the country's financing prospects.

30. Staff supports the authorities' immediate actions to respond to the crisis and their commitment to medium-term macroeconomic stability once the COVID-19 crisis passes. The short-term focus on fiscal accommodation and the removal of fuel subsidies are welcome. The important steps taken towards a more unified and flexible exchange rate are welcome and should be followed by the immediate unification of the exchange rate. Once the crisis passes, it is important that these reforms be sustained and that revenue-based fiscal consolidation resumes. Swiftly implementing ERGP reform priorities—including on power sector and governance—will also be important.

31. Staff supports the authorities' request for a purchase under the Rapid Financing Instrument of SDR 2454.5 million (100 percent of quota). This is justified by the scale and severity of the COVID-19 shock (and associated falls in international oil prices), which has created actual and urgent BOP needs. Characterizing this purchase as direct budget support is warranted by the large revenue shortfalls and pressing healthcare and humanitarian needs facing the government. While the risks to the outlook remain large, Nigeria's debt remains sustainable and its capacity to repay the Fund is adequate under the policies committed by the authorities in the LOI.

Table 1. Nigeria: Selected Economic and Financial Indicators, 2016–25

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
			Est.			Projections				
National income and prices				(Annual percentage change, unless otherwise specified)						
Real GDP (at 2010 market prices)	-1.6	0.8	1.9	2.3	-3.4	2.4	2.6	2.4	2.5	2.5
Oil and Gas GDP	-14.4	4.7	1.0	4.6	-8.1	2.9	8.2	6.5	3.2	0.2
Non-oil GDP	-0.3	0.5	2.0	2.0	-3.0	2.3	2.1	2.0	2.4	2.7
Non-oil non-agriculture GDP	-1.7	-0.6	2.0	1.8	-4.7	2.5	1.6	1.5	2.0	2.3
Production of crude oil (million barrels per day)	1.81	1.89	1.93	2.00	1.81	1.85	1.99	2.10	2.12	2.15
Nominal GDP at market prices (trillions of naira)	102.6	114.9	129.1	145.6	156.0	179.2	204.8	233.1	265.0	301.0
Nominal GDP per capita (US$)	2,221	1,969	2,033	…	…	…	…	…	…	…
GDP deflator	9.5	11.1	10.2	10.4	10.9	12.2	11.4	11.2	10.9	10.8
Consumer price index (annual average)	15.7	16.5	12.1	11.4	13.4	12.0	11.2	11.0	10.8	10.6
Consumer price index (end of period)	18.5	15.4	11.4	12.0	13.9	11.3	11.1	10.9	10.8	10.5
Investment and savings					(Percent of GDP)					
Gross national savings	16.0	18.2	14.8	10.9	9.0	12.7	12.5	12.9	12.9	13.0
Public	0.0	-0.5	0.7	0.1	-2.1	-1.4	-0.6	0.6	1.3	1.9
Private	16.0	18.8	14.2	10.8	11.1	14.0	13.2	12.3	11.6	11.1
Investment	15.4	14.7	13.4	14.2	11.7	14.7	14.0	13.9	13.8	13.8
Public	2.4	3.3	3.0	3.0	2.4	2.5	2.7	2.8	2.8	2.9
Private	13.0	11.5	10.4	11.2	9.3	12.1	11.2	11.1	11.0	10.9
Current account balance	0.7	2.8	1.0	-3.8	-3.3	-2.5	-2.0	-1.5	-1.4	-1.3
Consolidated government operations					(Percent of GDP)					
Total revenues and grants	6.0	6.6	8.5	7.9	4.9	5.6	6.4	7.5	8.3	9.0
Of which: oil and gas revenue	2.1	2.6	4.6	3.7	1.4	1.5	1.8	2.2	2.3	2.3
Total expenditure and net lending	10.0	12.0	12.8	12.9	11.7	11.3	11.8	11.8	12.1	12.5
Overall balance	-4.0	-5.4	-4.3	-5.0	-6.8	-5.7	-5.4	-4.3	-3.8	-3.5
Non-oil primary balance	-4.9	-6.7	-7.2	-7.1	-6.3	-5.6	-5.4	-4.5	-4.0	-3.5
Non-oil revenue	3.8	4.0	4.0	4.2	3.5	4.1	4.6	5.3	6.0	6.7
Public gross debt[1]	23.4	25.3	27.7	29.1	34.8	36.3	37.4	37.3	36.9	36.3
Of which : FGN debt	20.5	22.4	25.0	26.5	30.9	31.6	32.5	32.6	32.8	32.8
FGN interest payments (percent of FGN revenue)	61.8	58.4	60.7	57.5	95.9	80.8	83.0	77.3	78.1	79.8
Interest payments (percent of consolidated revenue)	21.5	20.5	19.9	20.5	40.5	30.1	29.1	26.3	25.9	25.4
Money and credit			(Change in percent of broad money at the beginning of the period, unless otherwise specified)							
Broad money (percent change; end of period)	24.0	9.1	15.2	6.2	10.6	16.0	16.7	16.5	16.6	16.6
Net foreign assets	5.8	23.4	6.8	-18.4	-8.7	-3.7	0.5	2.1	2.1	0.8
Net domestic assets	11.2	-24.8	8.5	24.6	19.3	19.7	16.3	14.3	14.5	15.8
o/w Claims on consolidated government	10.7	-2.4	4.4	15.3	26.5	21.9	20.4	16.1	13.9	13.2
Credit to the private sector (y-o-y,%)	22.3	-3.3	-6.7	13.7	-0.1	1.6	3.2	7.3	12.3	15.0
Velocity of broad money (ratio; end of period)	3.7	3.8	3.5	3.8	3.8	3.8	3.7	3.6	3.6	3.5
External sector				(Annual percentage change, unless otherwise specified)						
Exports of goods and services	-21.6	32.3	29.9	5.9	-40.3	14.6	22.1	9.3	7.8	7.1
Imports of goods and services	-34.7	8.4	40.6	40.7	-26.0	6.0	10.0	6.7	6.7	6.8
Terms of trade	-6.5	9.4	12.4	-5.2	-27.5	8.0	4.0	2.7	1.6	1.0
Price of Nigerian oil (US dollar per barrel)	44.6	54.4	71.1	64.0	35.1	39.5	42.7	45.1	47.1	48.6
External debt outstanding (US$ billions)[2]	78.3	96.6	116.0	126.4	129.9	141.5	154.6	167.8	181.4	196.3
Gross international reserves (US$ billions)	27.6	39.8	43.6	38.1	25.3	23.4	24.1	26.5	29.0	30.3
(equivalent months of imports of G&Ss)	6.5	6.7	5.2	6.1	3.8	3.2	3.1	3.2	3.3	3.2

Sources: Nigerian authorities; and IMF staff estimates and projections.

[1]Gross debt figures for the Federal Government and the public sector include overdrafts from the Central Bank of Nigeria (CBN) and AMCON bonds.

[2]Includes both public and private sector.

Table 2. Nigeria: Balance of Payment, 2016–25

(Billions of US dollars, unless otherwise specified)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
				est.			Projections			
Current account balance	2.7	10.4	3.9	-17.0	-14.7	-12.7	-11.2	-9.9	-10.4	-11.1
Trade balance	-0.5	13.1	20.5	2.9	-7.2	-5.4	-2.8	-3.2	-4.2	-6.2
Exports	34.7	45.8	61.2	65.0	37.3	43.0	53.4	58.6	63.3	67.9
Oil/gas	32.0	42.3	56.6	54.5	27.8	32.7	41.7	46.6	49.0	50.8
Other	2.7	3.5	4.7	10.5	9.5	10.3	11.6	12.0	14.3	17.1
Imports	-35.2	-32.7	-40.8	-62.1	-44.5	-48.4	-56.2	-61.8	-67.5	-74.1
Oil/gas	-9.0	-8.2	-11.6	-11.0	-5.8	-6.6	-8.9	-9.5	-10.0	-10.4
Other	-26.3	-24.5	-29.2	-51.1	-38.7	-41.8	-47.3	-52.2	-57.5	-63.7
Services (net)	-8.0	-13.2	-26.1	-33.8	-25.7	-25.8	-25.7	-25.8	-26.0	-25.9
Receipts	3.7	5.0	4.8	4.9	4.4	4.8	5.0	5.3	5.5	5.7
Payments	-11.8	-18.3	-30.9	-38.7	-30.1	-30.6	-30.8	-31.1	-31.5	-31.7
Income (net)	-8.6	-11.5	-14.7	-12.5	-7.5	-8.6	-10.8	-10.0	-10.2	-10.2
Of which: Interest due on public debt	-0.3	-0.3	-0.3	-1.0	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2
Transfers (net)	19.9	22.0	24.1	26.4	25.8	27.2	28.1	29.1	30.1	31.2
Capital and Financial account balance	1.9	8.2	-9.8	13.6	-1.5	10.8	11.9	12.2	12.9	12.5
Capital Account (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial Account (net)	1.9	8.2	-9.8	13.6	-1.5	10.8	11.9	12.2	12.9	12.5
Direct Investment (net)	3.1	2.2	0.6	1.8	0.9	2.9	3.3	3.0	2.8	3.1
Portfolio Investment (net)	1.7	8.5	-2.3	9.0	-2.4	7.9	8.6	9.2	10.1	9.4
Other Investment (net)	-2.9	-2.5	-8.1	2.8	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions[1]	-5.6	-6.4	9.7	-2.1	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-1.0	12.2	3.8	-5.5	-16.2	-1.9	0.7	2.3	2.5	1.4
RFI Disbursement					3.4					
Net international reserves (increase -)	1.0	-12.2	-3.8	5.5	12.8	1.9	-0.7	-2.3	-2.5	-1.4
Memorandum items:										
Gross official reserves, end-of-period	27.6	39.8	43.6	38.1	25.3	23.4	24.1	26.5	29.0	30.3
In months of next year's imports of goods and services	6.5	6.7	5.2	6.1	3.8	3.2	3.1	3.2	3.3	3.2
Current account (percent of GDP)	0.7	2.8	1.0	-3.8	-3.3	-2.5	-2.0	-1.5	-1.4	-1.3
Exports of goods and services (percent of GDP)	9.5	13.5	16.6	15.6	9.4	9.6	10.3	9.9	9.3	8.8
Imports of goods and services (percent of GDP)	11.6	13.6	18.0	22.5	16.9	15.9	15.3	14.3	13.5	12.6
Public external debt[2]	47.6	58.5	65.6	70.0	74.5	81.1	87.8	93.9	99.6	105.3
In percent of GDP	11.5	15.6	16.5	15.6	16.8	16.3	15.4	14.5	13.5	12.6
In percent of exports of G&S	123.7	115.0	99.4	100.1	178.5	169.6	150.3	147.1	144.8	142.9
In percent of consolidated fiscal revenues	197.5	235.6	193.6	198.6	336.7	291.0	240.5	194.5	163.4	140.3
Private external debt	30.7	38.1	50.4	56.4	55.4	60.4	66.7	73.9	81.8	91.0
External debt service due (percent of exports of G&S)[2]	-12.5	-19.3	-16.6	-21.0	-48.0	-35.0	-33.7	-32.0	-31.5	-28.0

Sources: Nigerian authorities; and IMF staff estimates and projections.

[1]The 2019 number reflects the outturn and a zero forecast for the remaining quarters.

[2]Nominal public short- and long-term debt, end of period. Guaranteed external debt not included. External public debt for the purpose of BoP is based on a residency definition.

Table 3. Nigeria: Federal Government Operations, 2017–25
(Billions of Naira)

	2017	2018	2019	2020	2021	2022	2023	2024	2025
		Est.			Projections				
Total revenue and Grants	2,665	3,602	4,080	3,261	3,734	4,604	5,915	7,262	8,649
Oil revenue	1,132	2,076	2,209	1,147	1,379	1,697	2,237	2,701	3,009
Non-oil revenue	1,533	1,526	1,871	2,021	2,319	2,871	3,641	4,524	5,604
Import and excise duties	283	318	380	311	342	464	693	915	1,167
Companies' income tax	562	666	695	684	863	1,085	1,361	1,709	2,146
Value-added tax	129	147	160	133	211	289	412	564	773
Federal government independent revenue	559	395	637	893	903	1,032	1,175	1,336	1,517
Grants	0	0	0	93	36	36	36	36	36
Total expenditure	7,406	9,082	11,087	11,516	11,859	14,056	15,379	18,084	20,480
Recurrent expenditure	6,164	7,400	9,002	9,833	9,694	11,306	12,250	14,526	16,438
Personnel	2,278	2,417	2,596	3,336	3,827	4,376	4,991	5,695	6,179
Overheads	437	517	1,131	1,251	1,436	1,642	1,872	2,136	2,318
of which COVID-19 fund				180					
Interest	1,557	2,186	2,347	3,126	3,018	3,820	4,572	5,672	6,899
Transfers[1]	1,842	1,948	2,147	1,648	912	858	814	1,023	1,043
of which electricity subsidies	252	272	524	380	110	0	0	0	0
of which net transfers to SLGs[2]	1,150	1,220	1,195	839	322	324	223	368	319
of which COVID-19 fund				150					
Arrears Clearance	50	331	686	472	500	610	0	0	0
Capital expenditure	1,242	1,682	2,084	1,682	2,165	2,750	3,130	3,558	4,042
of which COVID-19 fund				170					
Overall balance	-4,742	-5,480	-7,006	-8,255	-8,125	-9,452	-9,464	-10,822	-11,830
Financing	4,742	5,480	7,006	8,255	8,125	9,452	9,464	10,822	11,830
External	2,183	1,820	725	1,805	1,024	1,030	1,017	1,194	771
Borrowing	1,521	1,423	556	1,355	986	986	986	986	986
of which RFI				1,224					
Amortization	-26	-176	-60	-118	-285	-281	-501	-593	-672
of which RFI							-309	-620	-311
Net External Lending to SLGs	687	573	228	839	322	324	223	368	319
Domestic	913	2,864	4,718	6,450	7,101	8,422	8,447	9,628	11,060
Bank financing	-1,035	900	3,840	5,089	5,770	6,869	7,468	8,452	9,650
CBN	-307	344	3,603	5,001	5,674	6,751	7,322	8,274	9,433
Commercial Banks	-728	556	236	88	96	118	146	179	217
ECA financing	-151	-42	-199	0	0	0	0	0	0
Nonbank financing	1,898	1,526	878	636	683	820	979	1,175	1,410
Promissory notes	50	331	686	472	500	610	0	0	0
Asset Disposal	0	107	0	252	148	123	0	0	0
Statistical discrepancy	1,645	796	1,564	0	0	0	0	0	0
Memorandum items :									
FGN Total Debt	25,767	32,232	38,536	48,222	56,698	66,637	76,101	86,923	98,753
Domestic[3]	19,989	24,018	29,541	36,453	43,906	52,814	61,570	71,817	83,188
Foreign	5,778	8,214	8,995	11,769	12,792	13,822	14,531	15,106	15,565
Price of Nigerian oil (US dollar per barrel)	54.4	71.1	64.0	35.1	39.5	42.7	45.1	47.1	48.6
FGN overall balance (percent of GDP)	-4.1	-4.2	-4.8	-5.3	-4.5	-4.6	-4.1	-4.1	-3.9

Sources: Nigerian authorities; and IMF staff estimates and projections.

[1] Includes earmarked spending for National Judicial Council, Universal Basic Education, Niger Delta Development Corporation, and

[2] Net transfers to SLGs include Paris Club refunds, Budget Support Facility, and on-lending by the FGN.

[3] Gross debt figures for the Federal Government and the public sector include overdrafts from the Central Bank of Nigeria (CBN) and AMCON bonds.

Table 4. Nigeria: Consolidated Government, 2017–25
(Billions of Naira)

	2017	2018	2019	2020	2021	2022	2023	2024	2025
		Est.				Projections			
Total revenue and Grants	7,593	10,991	11,452	7,722	10,034	13,148	17,379	21,938	27,115
Oil revenue	2,993	5,879	5,378	2,222	2,720	3,747	5,028	6,128	6,966
Of which : implicit fuel subsidy	146	623	561	89	0	0	0	0	0
Non-oil revenue	4,599	5,112	6,074	5,407	7,278	9,364	12,314	15,773	20,113
Import and excise duties	628	705	837	688	759	1,030	1,536	2,030	2,587
Companies' income tax	1,206	1,430	1,637	1,468	1,853	2,331	2,923	3,670	4,610
Value-added tax	957	1,090	1,172	993	1,568	2,151	3,067	4,199	5,755
Other (education tax and customs levies)	312	331	482	373	443	576	783	1,009	1,276
Federal government independent revenue	559	395	637	693	903	1,032	1,175	1,336	1,517
SLGs independent revenue	936	1,160	1,309	1,192	1,753	2,244	2,830	3,530	4,367
Grants	0	0	0	93	36	36	36	36	36
Total expenditure	13,797	16,550	18,757	18,293	20,309	24,238	27,429	32,137	37,694
Federal government	6,256	7,862	9,892	10,677	11,536	13,732	15,156	17,716	20,161
of which COVID-19 fund				350					
State and local government	6,767	7,029	7,316	7,045	7,937	9,396	11,107	13,096	16,028
of which COVID-19 fund				150					
Extrabudgetary funds, ECA and implicit fuel subsid	774	1,658	1,550	571	836	1,110	1,166	1,325	1,505
Extrabudgetary funds [1]	628	768	988	482	836	1,110	1,166	1,325	1,505
Spending from Excess Crude Account	0	267	1	0	0	0	0	0	0
Implicit fuel subsidy	146	623	561	89	0	0	0	0	0
Overall balance	-6,204	-5,559	-7,305	-10,570	-10,274	-11,090	-10,050	-10,199	-10,579
Non-oil primary balance	-7,641	-9,251	-10,336	-9,759	-10,012	-11,053	-10,542	-10,692	-10,682
Financing	6,204	5,559	7,305	10,570	10,274	11,090	10,050	10,199	10,579
External	2,182	1,820	725	1,805	1,024	1,030	708	575	460
Borrowing [2]	2,221	2,078	812	1,978	1,440	1,440	1,440	1,440	1,440
o.w. RFI				1,224					
Amortization	-38	-258	-87	-172	-416	-410	-732	-865	-980
Domestic	1,315	2,836	5,330	8,765	9,251	10,060	9,341	9,625	10,119
Bank financing	-633	871	3,766	7,404	7,919	8,507	8,362	8,449	8,709
CBN	95	315	3,529	7,316	7,824	8,389	8,216	8,271	8,492
Commercial Banks	-728	556	236	88	96	118	146	179	217
Nonbank financing	1,898	1,526	878	636	683	820	979	1,175	1,410
Other financing	50	331	686	472	500	610	0	0	0
Asset Disposal	0	107	0	252	148	123	0	0	0
Statistical discrepancy	2,707	903	1,250	0	0	0	0	0	0
Memorandum items :									
SLGs External Financing	687.5	573.4	228.3	838.7	322.5	324.4	223.1	368.1	318.8
Budget oil price (US dollar a barrel)	44.5	47.0	64.0	35.1	39.5	42.7	45.1	47.1	48.6
Overall balance (% of GDP)	-5.4	-4.3	-5.0	-6.8	-5.7	-5.4	-4.3	-3.8	-3.5

Sources: Nigerian authorities; and IMF staff estimates and projections.

[1] Includes spending of customs levies and education tax; transfers to FIRS and NCS; spending from the ecology, stabilization, development of natural resources accounts; and FCT spending.

[2] Includes projects not included in the FGN budget, even though funds are on lent by FGN.

Table 5. Nigeria: Government Operations, 2017–25
(Percent of GDP)

	2017	2018	2019	2020	2021	2022	2023	2024	2025
		Est.			Projections				
Consolidated Government									
Total revenue	6.6	8.5	7.9	4.9	5.6	6.4	7.5	8.3	9.0
Oil revenue	2.6	4.6	3.7	1.4	1.5	1.8	2.2	2.3	2.3
Of which : implicit fuel subsidy	0.1	0.5	0.4	0.1	0.0	0.0	0.0	0.0	0.0
Non-oil revenue	4.0	4.0	4.2	3.5	4.1	4.6	5.3	6.0	6.7
Total expenditure	12.0	12.8	12.9	11.7	11.3	11.8	11.8	12.1	12.5
Federal government expenditure	5.4	6.1	6.8	6.8	6.4	6.7	6.5	6.7	6.7
of which COVID-19 fund				0.2					
State and local government	5.9	5.4	5.0	4.5	4.4	4.6	4.8	4.9	5.3
of which COVID-19 fund				0.1					
Extrabudgetary funds, ECA and implicit fuel subsidies	0.7	1.3	1.1	0.4	0.5	0.5	0.5	0.5	0.5
Overall balance	-5.4	-4.3	-5.0	-6.8	-5.7	-5.4	-4.3	-3.8	-3.5
Non-oil primary balance	-6.7	-7.2	-7.1	-6.3	-5.6	-5.4	-4.5	-4.0	-3.5
Financing	5.4	4.3	5.0	6.8	5.7	5.4	4.3	3.8	3.5
External	1.9	1.4	0.5	1.2	0.6	0.5	0.3	0.2	0.2
Borrowing	1.9	1.6	0.6	1.3	0.8	0.7	0.6	0.5	0.5
o.w.RFI				0.8	…	…	…	…	…
Amortization	0.0	-0.2	-0.1	-0.1	-0.2	-0.2	-0.3	-0.3	-0.3
Domestic	1.1	2.2	3.7	5.6	5.2	4.9	4.0	3.6	3.4
Bank financing	-0.6	0.7	2.6	4.7	4.4	4.2	3.6	3.2	2.9
Nonbank financing	1.7	1.2	0.6	0.4	0.4	0.4	0.4	0.4	0.5
Other financing	0.0	0.3	0.5	0.5	0.4	0.4	0.0	0.0	0.0
Asset Disposal		0.1	0.0	0.2	0.1	0.1	0.0	0.0	0.0
Statistical discrepancy	2.4	0.7	0.9	0.0	0.0	0.0	0.0	0.0	0.0
Federal Government									
Total revenue	2.3	2.8	2.8	2.1	2.1	2.2	2.5	2.7	2.9
Oil revenue	1.0	1.6	1.5	0.7	0.8	0.8	1.0	1.0	1.0
Non-oil revenue	1.3	1.2	1.3	1.3	1.3	1.4	1.6	1.7	1.9
Total expenditure	6.4	7.0	7.6	7.4	6.6	6.9	6.6	6.8	6.8
Recurrent expenditure	5.4	5.7	6.2	6.3	5.4	5.5	5.3	5.5	5.5
Personnel	2.0	1.9	1.8	2.1	2.1	2.1	2.1	2.1	2.1
Overheads	0.4	0.4	0.8	0.8	0.8	0.8	0.8	0.8	0.8
of which COVID-19 fund				0.1					
Interest	1.4	1.7	1.6	2.0	1.7	1.9	2.0	2.1	2.3
Transfers	1.6	1.5	1.5	1.1	0.5	0.4	0.3	0.4	0.3
of which COVID-19 fund				0.1					
Arrears clearance	0.0	0.3	0.5	0.3	0.3	0.3	0.0	0.0	0.0
Capital expenditure	1.1	1.3	1.4	1.1	1.2	1.3	1.3	1.3	1.3
of which COVID-19 fund				0.1					
Overall balance	-4.1	-4.2	-4.8	-5.3	-4.5	-4.6	-4.1	-4.1	-3.9
Financing	4.1	4.2	4.8	5.3	4.5	4.6	4.1	4.1	3.9
External	1.9	1.4	0.5	1.2	0.6	0.5	0.4	0.5	0.3
Domestic	0.8	2.2	3.7	4.1	4.0	4.1	3.6	3.6	3.7
Bank financing	-0.9	0.7	2.6	3.3	3.2	3.4	3.2	3.2	3.2
Nonbank financing	1.7	1.2	0.6	0.4	0.4	0.4	0.4	0.4	0.5
Other financing	0.0	0.3	0.5	0.5	0.4	0.4	0.0	0.0	0.0
Statistical discrepancy	1.4	0.6	1.1	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Nigerian authorities; and IMF staff estimates and projections.

Table 6. Nigeria: State and Local Governments, 2017–25
(Percent of GDP)

	2017	2018	2019	2020	2021	2022	2023	2024	2025
		Est.				Projections			
Revenue	4.8	5.4	4.7	3.1	3.2	3.8	4.4	5.0	5.4
Oil revenue	1.3	2.0	1.6	0.6	0.7	0.9	1.1	1.2	1.2
Shared revenue	0.9	1.5	1.2	0.5	0.5	0.7	0.9	0.9	0.9
Derivation grant (13 percent)	0.3	0.5	0.4	0.1	0.2	0.2	0.3	0.3	0.3
Non-oil revenue	2.5	2.5	2.3	1.9	2.3	2.7	3.1	3.6	4.1
Corporate Income Tax	0.5	0.5	0.5	0.4	0.5	0.5	0.6	0.6	0.7
Customs	0.2	0.2	0.3	0.2	0.2	0.2	0.3	0.3	0.4
VAT	0.7	0.7	0.7	0.5	0.7	0.9	1.1	1.3	1.6
Internal revenue	0.8	0.9	0.9	0.8	1.0	1.1	1.2	1.3	1.5
Net Transfers from FGN	1.0	0.9	0.8	0.5	0.2	0.2	0.1	0.1	0.1
of which COVID-19 fund				0.1					
Expenditure	4.4	5.4	5.0	4.5	4.4	4.6	4.8	4.9	5.3
Overall Balance	0.4	-0.1	-0.3	-1.4	-1.2	-0.8	-0.4	0.0	0.1
Financing	-0.4	0.1	0.3	1.4	1.2	0.8	0.4	0.0	-0.1
External	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	0.5	0.0	0.3	1.4	1.2	0.8	0.4	0.0	-0.1
Statistical discrepancy	-0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Nigerian authorities; and IMF staff estimates and projections.

Table 7. Nigeria: Central Bank of Nigeria (CBN) Analytical Balance Sheet, 2017–25
(Billions of Naira)

	2017	2018	2019	2020	2021	2022	2023	2024	2025
	Dec.	Dec.	Dec			Dec.			
	Act.	Act.	Est.			Projections			
Net foreign assets	12,563	14,608	9,615	7,798	6,403	6,654	7,497	8,401	8,897
Foreign assets	15,313	18,182	15,845	13,338	12,664	12,915	13,758	14,662	15,157
Foreign liabilities	-2,751	-3,574	-6,230	-5,539	-6,261	-6,261	-6,261	-6,261	-6,261
Net domestic assets	-3,105	-4,357	2,737	12,607	15,608	17,280	18,278	19,193	21,409
Net domestic credit	7,186	8,615	14,976	21,217	27,390	34,751	42,073	50,347	59,780
Net claims on consolidated government	287	999	5,202	12,099	18,273	25,633	32,956	41,229	50,662
Net claims on federal government [1]	-354	342	4,545	11,442	17,616	24,977	32,299	40,573	50,005
Claims	5,875	8,125	11,836	18,734	24,907	32,268	39,590	47,864	57,297
Deposits	-6,229	-7,783	-7,291	-7,291	-7,291	-7,291	-7,291	-7,291	-7,291
Net claims on state and local governments	640	657	657	657	657	657	657	657	657
Claims on deposit money banks	1,669	2,354	2,354	2,354	2,354	2,354	2,354	2,354	2,354
Other net claims	5,230	5,262	7,420	6,763	6,763	6,763	6,763	6,763	6,763
Other items net	-10,291	-12,972	-12,238	-9,834	-13,006	-18,694	-24,710	-31,449	-38,355
Reserve money	9,458	10,251	12,353	19,181	20,788	22,711	24,860	27,299	30,321
Currency in circulation	2,157	2,330	2,807	4,359	4,724	5,161	5,650	6,204	6,891
Banks reserves with the CBN	7,300	7,921	9,545	14,822	16,063	17,549	19,210	21,095	23,430
Memorandum items :									
Reserve money y/y growth rate	4.0	8.4	20.5	55.3	8.4	9.3	9.5	9.8	11.1
Money multiplier	3.0	3.2	2.8	2.0	2.1	2.3	2.4	2.6	2.7

Sources: Nigerian authorities; and IMF staff estimates and projections.
1The SLGs share of the ECA is included under the Net Claims on the FGN, as the FGN is the signatory of the ECA in the CBN. It is assumed that the domestic portion of sovereign wealth fund will have similar accounting treatment.

Table 8. Nigeria: Monetary Survey, 2017–25
(Billions of Naira)

	2017	2018	2019	2019	2020	2021	2022	2023	2024	2025
	Dec.	Dec.	Dec	Dec.						
	Act.	Act.	Act.	Projections						
Net foreign assets	12,990	14,911	8,876	8,876	7,073	5,641	5,854	6,658	7,309	7,541
Central Bank of Nigeria (net)	12,563	14,608	9,615	9,615	7,798	6,403	6,654	7,497	8,401	8,897
Commercial and merchant banks (net)	428	303	-739	-739	-725	-762	-800	-840	-1,092	-1,356
Net domestic assets	15,441	17,845	25,917	25,917	32,616	40,212	47,473	54,947	63,758	74,957
Net domestic credit	25,603	26,784	34,202	34,202	43,397	52,050	61,636	71,147	81,603	93,702
Net claims on consolidated government	9,115	10,360	15,384	15,384	23,371	31,791	40,908	49,617	58,689	68,349
Net claims on FGN [1]	7,576	8,808	13,709	13,709	19,470	25,739	33,218	40,995	50,067	60,027
CBN	3,673	4,349	9,013	9,013	14,687	20,860	28,221	35,852	44,745	54,489
Commercial Banks	3,903	4,459	4,696	4,696	4,783	4,879	4,997	5,143	5,322	5,539
Claims on SLG	1,539	1,552	1,675	1,675	3,902	6,051	7,690	8,622	8,622	8,321
Claims on private sector[2]	15,395	14,650	16,400	16,400	16,384	16,618	17,087	18,196	20,200	22,950
o/w credit to the private sector	13,703	12,789	14,539	14,539	14,523	14,757	15,226	16,335	18,339	21,089
Other Claims	1,093	1,775	2,418	2,418	3,642	3,642	3,642	3,333	2,713	2,403
Other items	-10,162	-8,940	-8,285	-8,285	-10,781	-11,838	-14,164	-16,200	-17,845	-18,745
Broad money [3]	28,432	32,755	34,793	34,793	38,465	44,630	52,103	60,690	70,772	82,513
Currency outside banks	1,783	1,918	1,805	1,805	2,411	2,797	3,266	3,804	4,436	5,172
Demand deposits	9,362	9,724	9,229	9,229	12,329	14,305	16,701	19,453	22,685	26,448
Time and savings deposits	12,758	14,822	17,457	17,457	23,321	27,059	31,590	36,795	42,908	50,027
CBN Bills held by resident nonbank sector	4,529	6,291	5,993	5,993	0	0	0	0	0	0
Memorandum items :										
Broad money (y-o-y,%)	9.1	15.2	6.2	6.2	10.6	16.0	16.7	16.5	16.6	16.6
Credit to the private sector (y-o-y,%)	-3.3	-6.7	13.7	13.7	-0.1	1.6	3.2	7.3	12.3	15.0
Velocity (non-oil GDP/broad money)	3.8	3.6	3.8	3.8	3.8	3.8	3.7	3.6	3.6	3.5
Gross international reserves (billions of US dollar)	39.3	42.5	38.1	38.1	25.3	23.4	24.1	26.5	29.0	30.3
Non-oil GDP (in billions of naira)										

Sources: Nigerian authorities; and IMF staff estimates and projections.

[1]The SLGs share of the ECA is included under the Net Claims on the FGN, as the FGN is the signatory of the ECA in the CBN. It is assumed that the domestic portion of sovereign wealth fund will have similar accounting treatment.

[2] Does not include AMCON bonds

[3] Broad money is based on an M3 definition.

Table 9. Nigeria: Indicators of Capacity to Repay the Fund, 2020–34
(as of March 26, 2020)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Fund obligations based on existing credit (millions of SDRs)															
Principal	0.22	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Charges and interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fund obligations based on existing and prospective credit (millions of SDRs)															
Principal	0.00	0.00	0.00	613.63	1227.25	613.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Charges and interest	26.06	26.66	26.68	25.76	14.89	2.58	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17
Total obligations based on existing and prospective credit															
Millions of SDRs	26.06	26.66	26.68	639.39	1242.14	616.21	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17
Millions of U.S. dollars	36.09	37.05	37.20	893.57	1741.74	867.13	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.00
Percent of exports of goods and services	0.09	0.08	0.06	1.40	2.53	1.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Percent of debt service	0.07	0.08	0.07	1.59	2.85	1.35	0.00	0.22	0.23	0.24	0.26	0.28	0.30	0.33	0.00
Percent of quota	1.06	1.09	1.09	26.05	50.61	25.11	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Percent of gross international reserves	0.14	0.16	0.15	3.38	6.01	2.86	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Percent of GDP	0.01	0.01	0.01	0.14	0.24	0.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Percent of consolidated government revenue	0.16	0.13	0.10	1.85	2.86	1.16	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Percent of federal government revenue	0.43	0.36	0.29	5.47	8.68	3.62	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Outstanding Fund credit															
Millions of SDRs	2454.5	2454.5	2454.5	1840.9	613.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Millions of U.S. dollars	3398.8	3410.9	3422.1	2572.7	860.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Percent of exports of goods and services	8.1	7.1	5.9	4.0	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Percent of debt service [1]	6.8	7.4	6.6	4.6	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Percent of quota	100.0	100.0	100.0	75.0	25.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Percent of gross international reserves [2]	13.4	14.6	14.2	9.7	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Percent of GDP	0.8	0.7	0.6	0.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Percent of consolidated government revenue	15.36	12.24	9.37	5.33	1.41	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Percent of federal government revenue	40.36	33.21	26.97	15.76	4.29	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Net Use of Fund Credit (millions of SDRs)	2480.6	26.7	26.7	-587.9	-1212.4	-611.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Disbursements	2480.6	26.7	26.7	25.8	14.9	2.6	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Repayments	0.0	0.0	0.0	613.6	1227.3	613.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:															
Exports of goods and services (millions of U.S. dollars)	41,731	47,842	58,417	63,824	68,776	73,674	74,516	80,104	86,680	94,464	103,732	114,823	128,161	144,274	…
Debt service (millions of U.S. dollars)	49,740	45,985	51,750	56,080	61,214	64,435	65,301	109	104	98	92	86	80	73	69
Quota (millions of SDRs)	2,455	2,455	2,455	2,455	2,455	2,455	2,455	2,455	2,455	2,455	2,455	2,455	2,455	2,455	2,455
Gross international reserves	25,292	23,420	24,117	26,460	28,970	30,347	26,349	20,358	19,725	13,107	(7,063)	(54,787)	(155,305)	(353,871)	…
GDP (billions of U.S. dollars)	443	498	569	648	736	836	967	1,140	1,345	1,584	1,855	2,149	2,453	2,855	…

Sources: Authorities' data and IMF staff estimates and projections.

Table 10. Nigeria: Financial Soundness Indicators. 2013–19Q4

(Percent; unless otherwise specified)

	2013	2014	2015	2016	2017	2017	2018	2019Q2	2019Q4
Regulatory Capital to Risk-Weighted Assets	17.1	18.6	17.7	14.8	13.5	10.5	15.2	15.3	14.6
Regulatory Tier 1 Capital to Risk-Weighted Assets	17.1	15.5	18.1	16.3	13.2	8.4	13.5	13.6	12.8
Non-Performing Loans to Total Gross Loans	3.4	3.0	4.9	12.8	14.7	14.8	11.7	9.3	6.1
Return on Assets	2.3	2.5	2.5	1.3	2.3	2.4	2.0	2.5	2.5
Return on Equity	18.9	21.2	19.7	10.0	17.6	23.5	22.7	30.0	29.4
Interest Margin to Gross Income	63.9	51.2	62.2	67.6	72.7	61.2	67.3	63.0	61.0
Non-interest Expenses to Gross Income	68.1	56.9	63.1	62.8	58.3	58.2	60.9	65.4	64.7
Liquid Assets to Total Assets (Liquid Asset Ratio)	16.8	11.4	18.5	16.2	17.0	18.8	22.6	22.5	23.0
Liquid Assets to Short Term Liabilities	23.1	16.7	27.1	24.5	25.6	27.2	34.1	35.1	35.3

Source: Central Bank of Nigeria.

Annex I. Debt Sustainability Analysis

Despite Nigeria's relatively low debt level, liquidity-based indicators— driven by low revenue mobilization—remain concerning, with the interest bill representing a high share of government revenue (but low relative to GDP). This makes Nigeria's low debt-to-GDP ratio highly vulnerable to shocks. Stress scenarios confirm the vulnerability of public debt to a low growth/wide primary deficit scenario. The interest-to-revenue ratio is particularly vulnerable to a real interest rate shock but remains sustainable. A comprehensive policy package, including fiscal consolidation based on non-oil revenue mobilization over the medium term is essential to reduce the interest payments-to-revenue ratio to pre-2019 levels.

Baseline Projections

1. **Nigeria's level of public debt has continued to increase but remains low relative to GDP**. Fiscal deficits—driven by weak non-oil revenue mobilization and lower oil revenues—have increased gross public debt levels to about 29 percent of GDP in 2019 and gross financing needs of the general government to 5.1 percent of GDP. Federal government interest payments absorbed about 58 percent of federal government revenue in 2019. Fiscal space is at risk due to high deficit and interest-to-revenue ratio.

2. **Nigeria's public debt remains sustainable**. Mostly domestic, the public debt-to-GDP ratio—which includes general government debt, CBN overdrafts, CBN financing of the power sector and Asset Management Company debt (AMCON) debt— is forecast to stay at around 36 percent by 2025. Public debt also includes non-interest-bearing promissory notes issued to clear payment arrears (about 2.6 trillion naira from 2018 through 2022) but does not incorporate state-owned enterprise debt. The primary deficit is projected to gradually improve by the end of projection period mainly on account of the expected recovery of oil revenue and some improvements in non-oil revenue, which helps keep debt to GDP ratio stable.

3. **Nigeria's financing needs in the medium term will average about 9.2 percent of GDP**. Interest payments—while low as share of GDP (less than 3 percent of GDP throughout the projection period)—are projected to be reduced from 96 percent of FG revenue in 2020 to about 80 percent by 2025, reflecting improved revenue collection, including from oil. However, after accounting for extrabudgetary revenue (as the authorities currently plan to stop some of the earmarked funds for certain activities, such as road fund or tobacco Fund) and state and local government revenue (which could be used if needed), the ratio would remain below 30 percent. The stress test scenario points to continued vulnerability to a low growth/wider primary deficit scenario.

4. **Contingent liabilities present an additional fiscal risk.** Preliminary estimates suggest that explicit contingent liabilities of the federal government are around 3 percent of GDP. In addition, non-guaranteed liabilities of government-owned entities and certain PPP and energy-related contingent liabilities, for which no data were available, are likely to pose significant risks. Risks from the composition of public debt is low, as most public debt is medium-to-long term and issued in domestic currency.

5. With regard to the forecast track record, reflecting oil price volatility, past projections of the primary balance and growth show some optimistic bias pre-2017. Forecast accuracy has improved since 2017 but remains dependent on oil price volatility.

Stress Tests

6. Debt and gross financing needs do not worsen significantly under stress scenarios, masking the deterioration and sustainability concerns of liquidity-based indicators. While debt-to-GDP indicators remain sustainable, higher interest rates will increase Nigeria's vulnerabilities by placing a principal risk on debt service. In particular, an interest rate shock would increase the FG interest-to-revenue ratio to 145 percent. A standardized combined macro-fiscal shock that captures a combination of shocks, such as to real GDP growth, the deflator, revenues and expenditures, financing costs and exchange rate depreciation, would increase the ratio to 172 percent. A contingency shock—increasing non-interest expenditures by 10 percent of the banking sector, lower growth by one standard deviation in 2020 and 2021 and increasing inflation and interest cost— would increase the ratio to about 101 percent. However, when considering general government, total interest payments will not exceed 55 percent by 2025 under all shocks considered. The impact of a real exchange rate shock on debt dynamics is limited, mainly due to Nigeria's low stock of foreign currency denominated debt.

7. The fan charts indicate that there is significant uncertainty around the baseline. The width of the symmetric fan chart, estimated at about 25 percent of GDP by the end of the projection period, illustrates the degree of uncertainty for equal probability upside and downside shocks. In an asymmetric fan chart, an extreme downside shock that constrains growth to zero results in a more upward-sloping debt path, reflecting a balance of risks skewed to the downside.

Heat Map

8. Except for a few indicators, the heat map is not signaling risks to debt sustainability. Market perception, contingent liability shock, and foreign currency debt are identified as principal risks to debt sustainability.

Figure 1. Nigeria: Public Sector Debt Sustainability Analysis (DSA) – Baseline Scenario

(In percent of GDP, unless otherwise indicated)

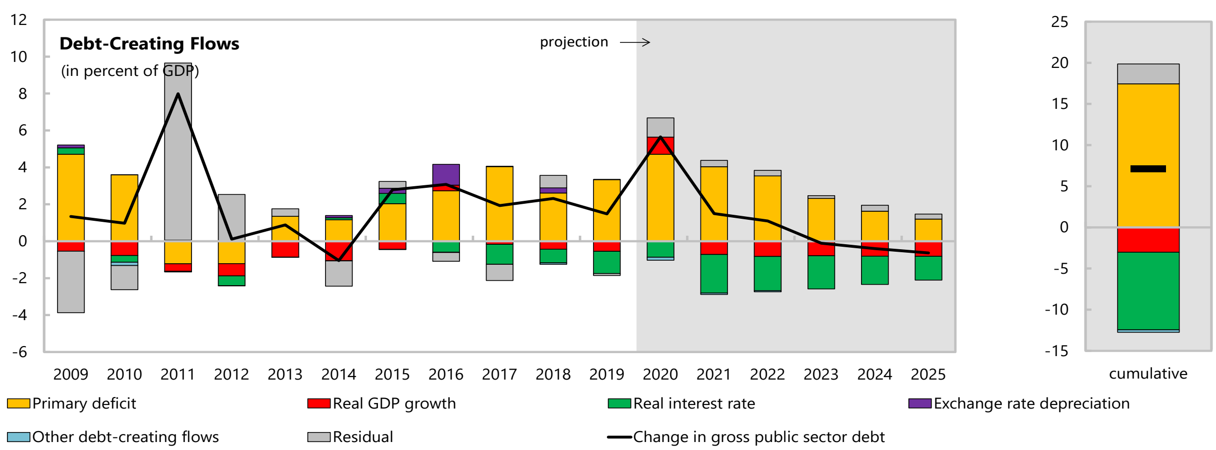
Debt, Economic and Market Indicators 1/

	Actual			Projections					
	2009-2017 2/	2018	2019	2020	2021	2022	2023	2024	2025
Nominal gross public debt	17.6	27.7	29.1	34.8	36.3	37.4	37.3	36.9	36.3
Public gross financing needs	2.9	4.5	5.1	9.6	12.4	9.9	8.1	7.9	7.5
Real GDP growth (in percent)	4.7	1.9	2.2	-3.4	2.4	2.6	2.4	2.5	2.5
Inflation (GDP deflator, in percent)	7.8	10.2	10.4	10.9	12.2	11.4	11.2	10.9	10.8
Nominal GDP growth (in percent)	12.8	12.3	12.8	7.1	14.8	14.3	13.8	13.7	13.6
Effective interest rate (in percent) 4/	7.5	7.5	6.8	7.4	5.6	5.9	6.0	6.5	7.1
Adjusted effective interest rate (in percent) 5/	7.5	8.3	7.6	8.2	6.8	7.6	8.3	9.6	11.2

As of April 17, 2020		
Sovereign Spreads		
EMBIG (bp) 3/		1032
5Y CDS (bp)		1007
Ratings	Foreign	Local
Moody's	B2	B2
S&Ps	B-	B-
Fitch	B	B

Contribution to Changes in Public Debt 6/

	Actual			Projections							
	2009-2017	2018	2019	2020	2021	2022	2023	2024	2025	cumulative	debt-stabilizing primary balance 11/
Change in gross public sector debt	2.0	2.3	1.5	5.7	1.5	1.1	-0.1	-0.4	-0.6	7.1	
Identified debt-creating flows	1.4	1.6	1.6	4.6	1.2	0.8	-0.3	-0.7	-0.9	4.7	
Primary deficit	1.9	2.6	3.3	4.7	4.0	3.5	2.3	1.6	1.2	17.4	-2.1
Primary (noninterest) revenue and grants	10.9	8.5	7.9	5.0	5.6	6.4	7.5	8.3	9.0	41.7	
Primary (noninterest) expenditure	12.8	11.1	11.2	9.7	9.6	10.0	9.8	9.9	10.2	59.2	
Automatic debt dynamics 7/	-0.5	-0.9	-1.8	0.1	-2.8	-2.7	-2.6	-2.3	-2.1	-12.4	
Interest rate/growth differential 8/	-0.7	-1.2	-1.8	0.1	-2.8	-2.7	-2.6	-2.3	-2.1	-12.4	
Of which: real interest rate	-0.2	-0.7	-1.2	-0.9	-2.1	-1.9	-1.8	-1.5	-1.3	-9.4	
Of which: real GDP growth	-0.5	-0.4	-0.5	0.9	-0.7	-0.8	-0.8	-0.8	-0.8	-3.0	
Exchange rate depreciation 9/	0.2	0.3	0.0	…	…	…	…	…	…	…	
Other identified debt-creating flows	0.0	-0.1	0.0	-0.2	-0.1	-0.1	0.0	0.0	0.0	-0.3	
Net privatization proceeds (negative)	0.0	-0.1	0.0	-0.2	-0.1	-0.1	0.0	0.0	0.0	-0.3	
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Residual, including asset changes 10/	0.6	0.7	-0.1	1.0	0.3	0.3	0.1	0.3	0.3	2.4	



Source: IMF staff.

1/ Public sector is defined as general government.

2/ Based on available data.

3/ EMBIG.

4/ Defined as interest payments divided by debt stock (excluding guarantees) at the end of previous year.

5/ Defined as interest payments divided by debt stock (excluding guarantees and debt that do not carry interest payments) at the end of previous year.

6/ Gross debt includes general government debt, CBN overdrafts, CBN financing of the power sector and AMCON debt

7/ Derived as [(r - π(1+g) - g + ae(1+r)]/(1+g+π+gπ)) times previous period debt ratio, with r = interest rate; π = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

8/ The real interest rate contribution is derived from the numerator in footnote 5 as r - π (1+g) and the real growth contribution as -g.

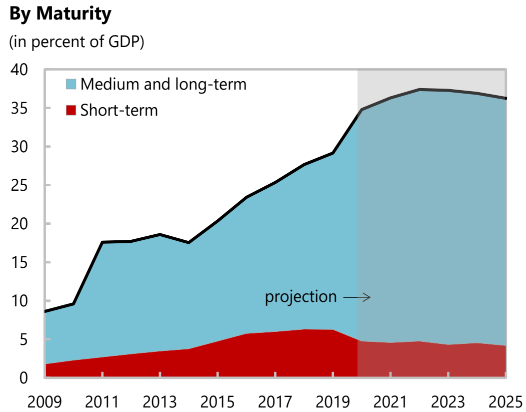
9/ The exchange rate contribution is derived from the numerator in footnote 5 as ae(1+r).

10/ Includes asset changes and interest revenues (if any). For projections, includes exchange rate changes during the projection period.

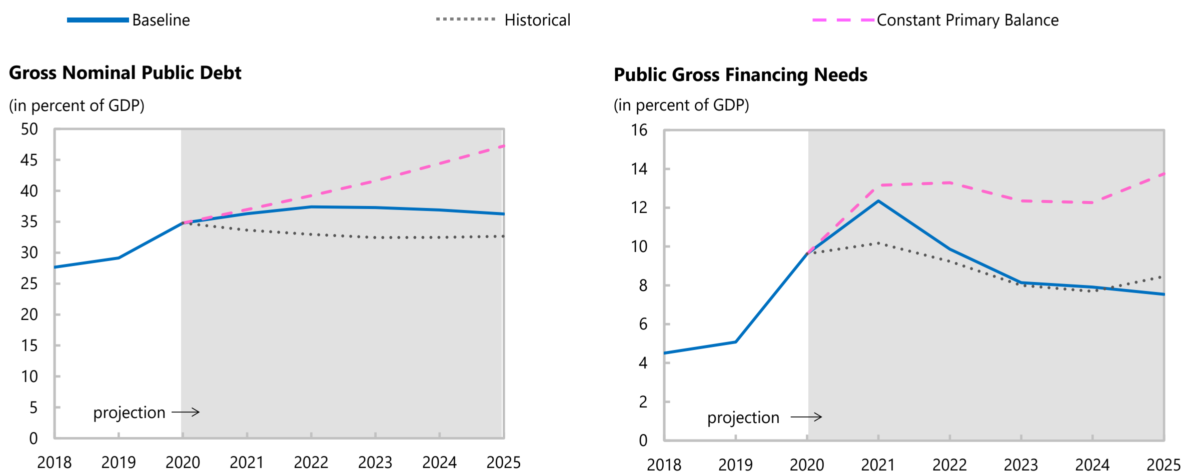
11/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

Figure 2. Nigeria: Public DSA – Composition of Public Debt and Alternative Scenarios

Composition of Public Debt



Alternative Scenarios



Underlying Assumptions

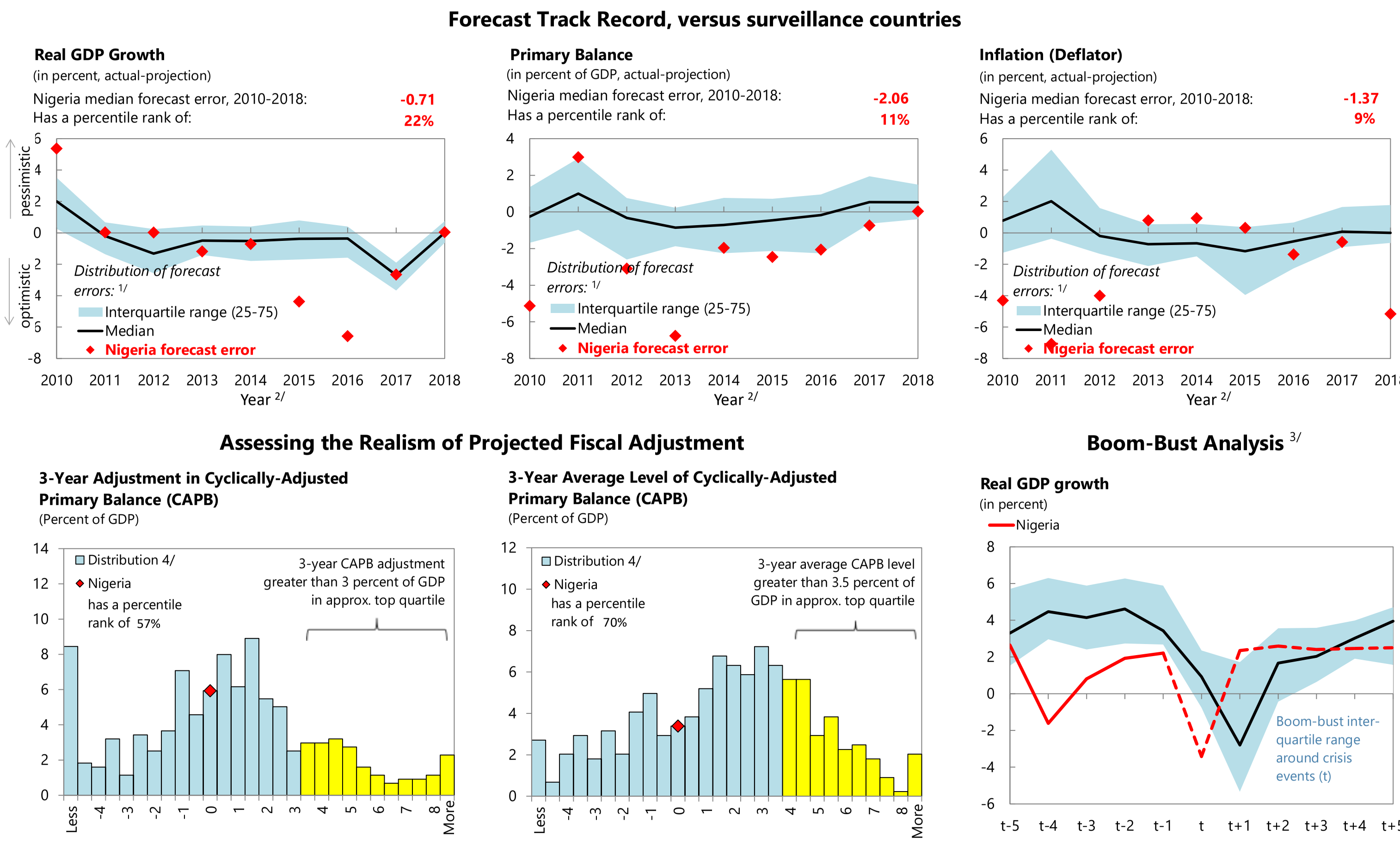
(in percent)

Baseline Scenario	2020	2021	2022	2023	2024	2025
Real GDP growth	-3.4	2.4	2.6	2.4	2.5	2.5
Inflation	10.9	12.2	11.4	11.2	10.9	10.8
Primary Balance	-4.7	-4.0	-3.5	-2.3	-1.6	-1.2
Effective interest rate	7.4	5.6	5.9	6.0	6.5	7.1
Constant Primary Balance Scenario						
Real GDP growth	-3.4	2.4	2.6	2.4	2.5	2.5
Inflation	10.9	12.2	11.4	11.2	10.9	10.8
Primary Balance	-4.7	-4.7	-4.7	-4.7	-4.7	-4.7
Effective interest rate	7.4	6.7	6.9	7.0	8.5	8.8

Historical Scenario	2020	2021	2022	2023	2024	2025
Real GDP growth	-3.4	3.8	3.8	3.8	3.8	3.8
Inflation	10.9	12.2	11.4	11.2	10.9	10.8
Primary Balance	-4.7	-1.8	-1.8	-1.8	-1.8	-1.8
Effective interest rate	7.4	6.7	7.1	7.2	8.7	9.2

Source: IMF staff.

Figure 3. Nigeria: Public DSA – Realism of Baseline Assumptions



Source : IMF Staff.

1/ Plotted distribution includes surveillance countries, percentile rank refers to all countries.

2/ Projections made in the spring WEO vintage of the preceding year.

3/ Nigeria has had a positive output gap for 3 consecutive years, 2017-2019. For Nigeria, t corresponds to 2020; for the distribution, t corresponds to the first year of the crisis.

4/ Data cover annual obervations from 1990 to 2011 for advanced and emerging economies with debt greater than 60 percent of GDP. Percent of sample on vertical axis.

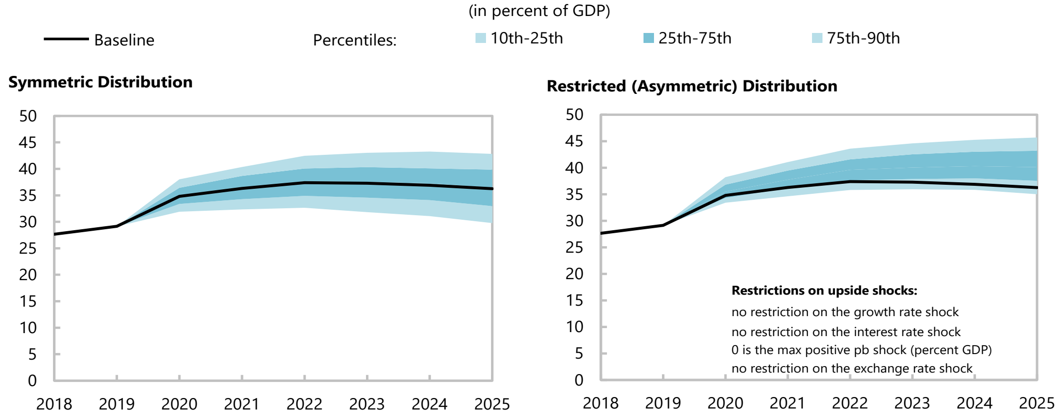
Figure 4. Nigeria: Public DSA Risk Assessment

Heat Map

Debt level [1/]	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability shock
Gross financing needs [2/]	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability Shock
Debt profile [3/]	Market Perception	External Financing Requirements	Change in the Share of Short-Term Debt	Public Debt Held by Non-Residents	Foreign Currency Debt

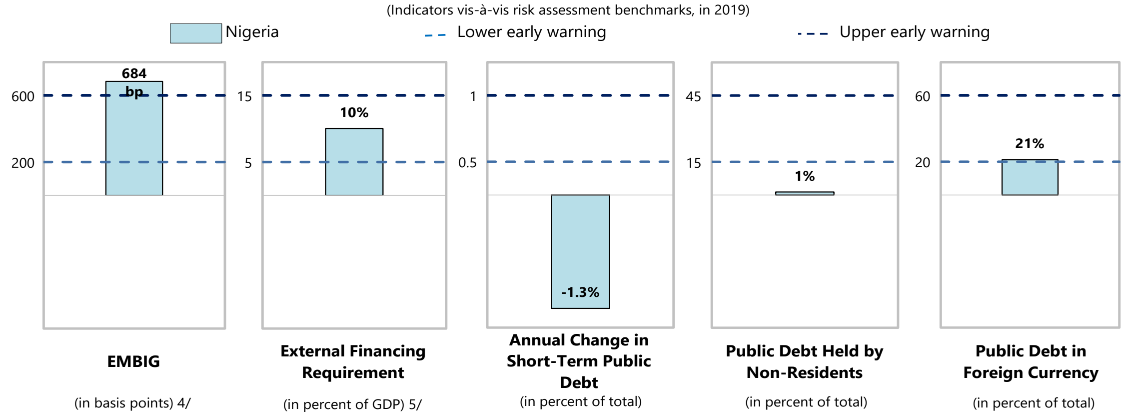
Evolution of Predictive Densities of Gross Nominal Public Debt

(in percent of GDP)



Debt Profile Vulnerabilities

(Indicators vis-à-vis risk assessment benchmarks, in 2019)



Source: IMF staff.

1/ The cell is highlighted in green if debt burden benchmark of 70% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

2/ The cell is highlighted in green if gross financing needs benchmark of 15% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

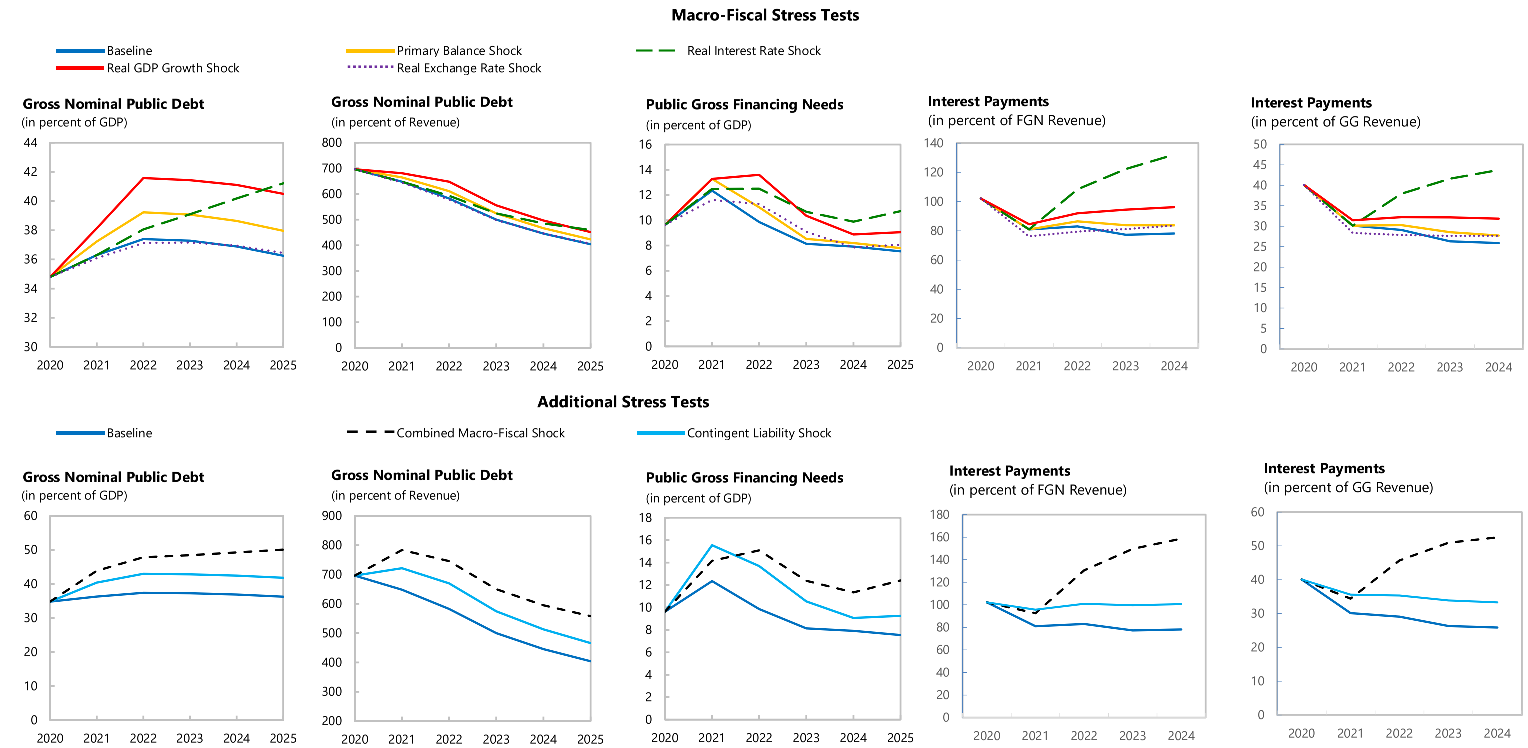
3/ The cell is highlighted in green if country value is less than the lower risk-assessment benchmark, red if country value exceeds the upper risk-assessment benchmark, yellow if country value is between the lower and upper risk-assessment benchmarks. If data are unavailable or indicator is not relevant, cell is white.
Lower and upper risk-assessment benchmarks are:

200 and 600 basis points for bond spreads; 5 and 15 percent of GDP for external financing requirement; 0.5 and 1 percent for change in the share of short-term debt; 15 and 45 percent for the public debt held by non-residents; and 20 and 60 percent for the share of foreign-currency denominated debt.

4/ EMBIG, an average over the last 3 months, 18-Jan-20 through 17-Apr-20.

5/ External financing requirement is defined as the sum of current account deficit, amortization of medium and long-term total external debt, and short-term total external debt at the end of previous period.

Figure 5. Nigeria: Public DSA – Stress Tests



Underlying Assumptions

(in percent)

	2020	2021	2022	2023	2024	2025
Primary Balance Shock						
Real GDP growth	-3.4	2.4	2.6	2.4	2.5	2.5
Inflation	10.9	12.2	11.4	11.2	10.9	10.8
Primary balance	-4.7	-5.0	-4.5	-2.3	-1.6	-1.2
Effective interest rate	7.4	6.7	6.9	6.6	7.7	8.1
Real Interest Rate Shock						
Real GDP growth	-3.4	2.4	2.6	2.4	2.5	2.5
Inflation	10.9	12.2	11.4	11.2	10.9	10.8
Primary balance	-4.7	-4.0	-3.5	-2.3	-1.6	-1.2
Effective interest rate	7.4	6.7	8.9	10.0	12.1	13.1
Combined Shock						
Real GDP growth	-3.4	-1.2	-0.9	2.4	2.5	2.5
Inflation	10.9	11.3	10.5	11.2	10.9	10.8
Primary balance	-4.7	-5.0	-4.5	-2.3	-1.6	-1.2
Effective interest rate	7.4	7.3	8.5	9.7	11.7	12.7

	2020	2021	2022	2023	2024	2025
Real GDP Growth Shock						
Real GDP growth	-3.4	-1.2	-0.9	2.4	2.5	2.5
Inflation	10.9	11.3	10.5	11.2	10.9	10.8
Primary balance	-4.7	-4.5	-4.4	-2.3	-1.6	-1.2
Effective interest rate	7.4	6.7	6.9	7.1	8.3	8.6
Real Exchange Rate Shock						
Real GDP growth	-3.4	2.4	2.6	2.4	2.5	2.5
Inflation	10.9	30.4	11.4	11.2	10.9	10.8
Primary balance	-4.7	-4.0	-3.5	-2.3	-1.6	-1.2
Effective interest rate	7.4	7.3	6.6	6.8	8.1	8.4
Contingent Liability Shock						
Real GDP growth	-3.4	-1.2	-0.9	2.4	2.5	2.5
Inflation	10.9	11.3	10.5	11.2	10.9	10.8
Primary balance	-4.7	-6.5	-3.5	-2.3	-1.6	-1.2
Effective interest rate	7.4	7.5	7.1	7.2	8.4	8.7

Source: IMF staff.

Appendix I. Letter of Intent

April 21, 2020

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund (IMF)
Washington, D.C. 20431

Dear Ms. Georgieva,

1. The global humanitarian and economic crisis caused by the COVID-19 pandemic is having a severe impact on Nigeria. In addition to the high human toll from daily increases in COVID-19 cases, the economic cost is high. Containment policies to limit the propagation of the outbreak—including to restrict movement and encourage social distance—and a sharp fall in oil prices are causing a dramatic fall in economic activity. Our preliminary assessment suggests a contraction in real GDP of 3.4 percent this year, a 6.5 percentage points drop relative to our previous estimate. Given the uncertainty as to the depth and duration of this crisis, this estimate comes with downside risks.

2. Our external position has already come under strong pressure. The current account deficit is projected to be about 3.3 percent of GDP, despite some import compression, as oil exports drop. At the same time, remittances and capital inflows are expected to weaken substantially, leading to pressure on our international reserves, which have already declined. To mitigate the balance-of-payment pressures, we adjusted the official exchange rate from N305/$ to N360/$ and recently converged the Central Bank of Nigeria (CBN)'s various foreign exchange (FX) windows to the Investors and Exporters (I&E) windows rate, which will be allowed to move with market forces, as observed with the recent depreciation in response to capital outflows. This step also allowed us to close the gap between the CBN's minimum and maximum exchange rates from 20 to 5 percent—a major step toward exchange rate unification. We are committed to maintaining this more unified and flexible exchange rate regime, which will operate in market-determined manner and be allowed to respond to shocks, with the CBN only intervening to smooth large FX fluctuations. While greater FX flexibility will help mitigate balance-of-payment pressures, an external financing gap of US$14 billion will remain.

3. Unsurprisingly, the COVID-19 crisis will also severely impact the budget. Lower growth and the sharp decline in oil prices are affecting tax revenues, which are projected to fall short of our target by about 3 percent of GDP. The estimated cost of our pandemic emergency response plan, including additional health and social spending and fiscal stimulus targeted at the most affected sectors, is at least US$1.4 billion (0.3 percent of GDP) in 2020. Together, these two factors will increase the overall deficit by about 2 percent of GDP in 2020, despite expenditure reprioritization efforts. We estimate that the Government of Nigeria will require an additional US$11 billion (3 percent of GDP) in 2020 to close the fiscal financing gap resulting from the shock.

4. To address the immediate external financing needs, the Government of Nigeria requests the maximum amount of IMF emergency financing available to Nigeria under the Rapid Financing Instrument (RFI), or SDR 2,454.5 million (about US$3,398 million), corresponding to 100 percent of our quota. This loan will help remedy the immediate liquidity needs arising from the twin shocks facing us. We are confident that IMF involvement in the international effort to assist Nigeria in dealing with the global pandemic will play a catalytic role in securing additional budget support from our development partners. We are actively seeking this additional support, beyond the US$3.6 billion already committed this year by the World Bank, AfDB, IsDB, and Afreximbank.

5. The RFI purchases will be instrumental to help fill the projected fiscal financing and balance-of-payments gap in 2020. The RFI purchases will be on-lent by the central bank to the Treasury. To this end, we will sign a Memorandum of Understanding (MoU) between the central bank and the government, to specify the conditions of this operation, following IMF's policy and guidance.

6. In line with fiscal responses underway globally, we plan to partially accommodate the fiscal impact of the COVID-19 crisis in 2020. In lockstep, we will also grant banks the leeway to restructure loans for the most-affected but fundamentally sound borrowers in order to accommodate the cash squeeze facing the private sector. However, we will ensure that such actions are done in a time-bound and transparent fashion and without compromising regulatory or accounting standards.

7. The government set up an Economic Sustainability Committee chaired by Vice President Professor Yemi Osinbajo to devise strategies to keep the economy working and ensure jobs are not only retained but that more are generated. The Presidential Economic Advisory Council (PEAC) is also working on policies to ensure macroeconomic stability and poverty reduction. Going beyond this year, the government of Nigeria is fully committed to pursuing policies consistent with macroeconomic stability and good governance:

- Fiscal policy: First and foremost, we will revert to our government's planned medium-term fiscal consolidation path—which includes increasing revenue to 15 percent of GDP through further VAT reforms, rise in excises, and removal of tax exemptions— once the crisis passes. The recent introduction and implementation of an automatic fuel price formula will ensure fuel subsidies, which we have eliminated, do not reemerge. In line with the Fiscal Responsibility Act, this will allow us to reduce the Federal Government deficit to under 3 percent of GDP and eliminate recourse to central bank financing by 2025.
- Financing of the deficit: In addition to the external borrowing sought, we are also increasing our domestic borrowing limits in the supplementary budget so that we can make use of our favorable low domestic yields, particularly since the results of the last domestic bond auction show strong demand. The existing stock of overdrafts held at the CBN will also be securitized.
- Monetary and exchange rate Policy. As outlined in our home-grown Economic Recovery and Growth Plan, we are also strengthening monetary and exchange rate policies with a view to move towards full exchange rate unification and greater exchange rate flexibility, which would help preserve foreign exchange reserves and avoid economic dislocation.

- Power sector reforms. We are also advancing in our power sector reforms—with technical assistance and financial support from the World Bank—including through capping electricity tariff shortfalls this year to N380 billion and moving to full cost-reflective tariffs in 2021.

8. Our anti-corruption efforts will continue unabated. We will strengthen the role of the Federal Audit Board in combating corruption and are committed to strengthening the asset-declaration framework and fully implementing the risk-based approach to AML/CFT supervision while ensuring the transparency of beneficial ownership of legal persons. We fully recognize the importance of ensuring that financial assistance received is used for intended purposes. To that end, we will (i) create specific budget lines to facilitate the tracking and reporting of emergency response expenditures and report funds released and expenditures incurred monthly on the transparency portal (*http://opentreasury.gov.ng/*); (ii) publish procurement plans, procurement notices for all the emergency response activities—including the name of awarded companies and of beneficial owners—on the Bureau of Public procurement website; and (iii) publish no later than three to six months after the end of the fiscal year the report of an independent audit into the emergency response expenditures and related procurement process, which will be conducted by the Auditor General of the Federation—who will be provided the resources necessary and will consult with external/third party auditors.

9. In line with IMF safeguards policy, we commit to undergoing a new safeguards assessment conducted by the Fund. To this end, we have authorized IMF staff to hold discussions with external auditors and provide IMF staff access to the CBN's most recently completed external audit reports. We do not intend to introduce measures or policies that would exacerbate the current balance-of-payments difficulties. We do not intend to impose new or intensify existing restrictions on the making of payments and transfers for current international transactions, trade restrictions for balance-of payments purposes, or multiple currency practices, or to enter into bilateral payments agreements which are inconsistent with Article VIII of the IMF's Articles of Agreement.

10. We are determined to meet the immense challenge the Covid-19 pandemic is facing us with. Support from the international community will be critical, and we look forward to an early approval of financial assistance by the IMF—which will help our effort to keep the Nigerian economy on a strong path and sustain our fight against poverty. Beyond this much needed immediate financial assistance, we reaffirm our willingness to remain engaged with the IMF, to benefit from its policy advice and its technical assistance. We authorize the IMF to publish this letter and the staff report for the request for purchases under the RFI.

Sincerely yours,

/s/	/s/
Zainab Shamsuna Ahmed	Godwin Emefiele
Minister of Finance, Budget, and National Planning	Governor of Central Bank of Nigeria

**Statement by Mr. Mahlinza, Executive Director for Nigeria,
and Mr. Odonye, Alternate Executive Director for Nigeria
April 28, 2020**

I. Introduction

Our Nigerian authorities appreciate the Fund's swift response to the request for emergency financial assistance under the Rapid Financing Instrument (RFI). They view support under the RFI as important for catalyzing financing from development partners.

The COVID-19 outbreak along with the sharp fall in oil prices, has severely impacted economic activity in Nigeria, creating large external and fiscal financing need in 2020. At the same time the contraction in global economic activity has also constrained the economic recovery momentum, following the recession experienced in 2016. Against this backdrop, the authorities request emergency financing under the Rapid financing Instrument amounting to SDR 2,454.5 million (100 percent of quota) to help address the urgent BOP need. To meet the huge financing need, the authorities have also secured budget support equivalent to US$3.6 billion from multilateral development banks. Consequently, they have set up safeguard measures to ensure effective and transparent use of the facility and plan to undertake a comprehensive audit of the crisis-mitigation spending and related procurement processes.

II. Impact of the COVID-19 Pandemic

While the humanitarian impact of the COVID-19 pandemic on Nigeria appears mild at this stage, the economic ramifications have been severe. Preliminary assessments suggest that real GDP will contract to -3.4 percent in 2020, which is 6.5 percentage points lower than the authorities' pre-pandemic estimate. Reflecting the decline in oil export earnings and remittances, the current account deficit is projected to deteriorate to about 3.3 percent of GDP in 2020. Concurrently, capital inflows are expected to weaken substantially on the back of sizeable portfolio outflows, intensifying pressures on international reserves and the exchange rate. The lower growth and the sharp decline in oil and non-oil tax revenues will also impact negatively on the budget. Overall, the COVID-19 pandemic has created an urgent BOP need estimated at 3.2 percent of GDP.

Nigeria's outlook is subject to heightened downside risks, particularly from a further collapse in oil prices and more protracted containment measures. The materialization of these risks and the high degree of uncertainty on the duration and scale of the COVID-19 disease, could seriously affect the real and financial sectors; and further strain the country's financing prospects.

III. Policy Response to the Pandemic

To contain the virus and support the economy, the authorities responded quickly to establish a high-level Economic Sustainability Committee to develop strategies to keep the economy working and to retain and generate more jobs. The Presidential Economic Advisory Council (PEAC) is making concerted efforts to develop policies to ensure macroeconomic stability and poverty reduction. In addition, the government is fully committed to pursuing policies consistent with macroeconomic stability and good governance.

Immediate fiscal policy actions adopted by the authorities include the establishment of a N500 billion COVID-19 Crisis Intervention Fund to offset costs of needed healthcare needs, as well as shore up economic activity through public works programs. At the same time, the authorities' efforts to establish a fiscal stimulus package is at an advanced stage. This is intended to provide relief to taxpayers and incentivize employers to retain staff during the downturn. The stimulus package will also provide income tax relief and a rebate on payroll tax for civil service employees among others. Additional tax policy measures announced by the authorities include import duty waivers for medical supplies, and the postponement of a planned electricity tariff increase. While reviewing the 2020 budget, the government intends to reduce non-essential capital spending by about 1 percent of GDP to accommodate increased healthcare spending.

Consistent with the principles of transparency and regulatory/accounting standards, the CBN has introduced several measures to safeguard financial system stability while ensuring that commercial banks are able to support the recovery of the economy. They have introduced regulatory forbearance to allow banks restructure existing loans, encouraged banks to reduce interest rates on development-related loans from 9 percent to 5 percent, anchored the creation of a credit facility for SMEs and households most affected by the pandemic, facilitated the extension of a one-year moratorium on new loans for specific sectors. In addition, the Bank is facilitating the take-off of a dedicated fund for rebuilding critical infrastructure in the country. Monetary and exchange rate policy will remain targeted to meet the price stability objective while complementing measures to tackle the extreme conditions. In line with the Economic Recovery and Growth Plan, the CBN will also continue to strengthen monetary and exchange rate policies towards full exchange rate unification and flexibility. This policy stance remains imperative to help preserve foreign exchange reserves and avoid unwarranted economic disruptions.

IV. Post-Pandemic Policy Measures

Our authorities remain committed to safeguarding macroeconomic stability and foster economic growth in line with the Economic Recovery and Growth Plan (ERGP). In this regard, fiscal policy will be driven by the government's planned medium-term fiscal consolidation path, which entails increasing revenue to 15 percent of GDP through further VAT reforms, increasing excise taxes, and removing tax exemptions once the crisis abates. The authorities are committed to resume revenue-based fiscal consolidation to eliminate central bank financing and create space for priority spending. Conforming with the Fiscal Responsibility Act, the deficit will fall below 3 percent of GDP to obviate recourse to central bank financing by 2025.

Given the significance of banking sector resilience, the CBN will reinvigorate its oversight of on-site and off-site supervision to sustain financial sector stability. Furthermore, the government will accelerate structural reforms—particularly in the power sector—to lay the foundation for a diversified private-sector led economy post-pandemic.

The authorities will continue their focus on strengthening their anti-corruption and governance efforts, including implementing the risk-based approach to AML/CFT supervision and ensuring broad alignment in the transparency of beneficial ownership of legal persons with international best practices.

V. Conclusion

The Nigerian authorities look forward to a favorable consideration of their request for emergency financing under the RFI. They are confident that this purchase will be instrumental in filling the projected fiscal financing and balance-of-payments gap in 2020. Further, they remain committed to pursuing policies aimed at preserving macroeconomic stability needed to steer the economy back onto a sustainable and inclusive growth path in the post coronavirus pandemic period.