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Nigeria: 2004 Semi-Annual Staff Report Under Intensified Surveillance

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NIGERIA

2004 Semi-Annual Staff Report Under Intensified Surveillance

Prepared by the Staff Representatives

Approved by Michael Nowak and Carlos Muñiz

November 8, 2004

- **The mid-term review was held in Abuja during September 6-13, 2004 to assess the implementation of the authorities' program for the first six months of 2004 and the near- term outlook.** Staff representatives were Mr. Katz (Head), Mr. Bartsch and Ms. Gobat (all AFR), Mr. Villafuerte (FAD), Mr. Nielsen (PDR), and Mr. Thiam (Senior Resident Representative). The mission collaborated with the World Bank resident mission.

- **The mission met with a range of senior officials,** including Dr. (Mrs.) Okonjo-Iweala, Minister of Finance; Professor Soludo, Governor of the Central Bank of Nigeria (CBN); Mr. El-Rufai, Minister of the Federal Capital Territory; Mrs. Ezekwesili, Senior Special Assistant to the President, Mr. Agusto, Director General, Budget Office of the Federation (BOF); Ms. Omoigui, Executive Chair, Federal Inland Revenue Service (FIRS); Mr. Naiyeju, Accountant General of the Federation (OAGF); and Dr. Mansur, Director General, Debt Management Office (DMO); and other senior officials. The mission also met with representatives of the oil sector and the international community in Nigeria.

- **On July 16, 2004, the Executive Board concluded the 2004 Article IV consultation discussions with Nigeria**. Executive Directors welcomed the improvement in prospects for sustained adjustment and economic reform and, in particular, the articulation of a homegrown reform agenda—National Economic Empowerment and Development Strategy (NEEDS). Directors concurred with the broad reform priorities and stressed that consistent and determined implementation of the reform agenda was essential for Nigeria to confront successfully the daunting economic and social challenges that lay ahead. They generally endorsed the proposed intensified surveillance.

- **The intensified surveillance framework involves quarterly staff visits and the preparation of a six-monthly report for the information of the Executive Board**. The implementation of the authorities' program will be assessed against their quarterly budget and monetary targets and their matrix of structural reforms, as indicated in the 2004 Article IV consultation staff report (IMF Country Report No. 04/239, Tables 7, 8a, 8b, and Appendix VII). This is the first report, assessing implementation of the authorities' program for the first six months of 2004.

- **Further information about Fund and World Bank relations with Nigeria is attached (Appendices I and II, respectively),** as are an update of the core reform measures of the authorities' NEEDS policy matrix (Appendix III), and a tentative work program (Appendix IV).

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Executive Summary

Overall economic performance in the first half of 2004 was commendable. The implementation of sound macroeconomic policies, underpinned by a conservative reference oil price and savings of the oil revenue windfall, has helped stabilize the economy. Fiscal prudence along with a tight monetary policy has contributed to a buildup of international reserves and a sharp decline in inflation. These developments signal a reversal of past imprudent macroeconomic policies and will help reduce Nigeria's vulnerability to oil price shocks. They also offer hope that implementation of the reform agenda will lead to a durable transformation in economic management that will, in turn, help realize Nigeria's vast growth potential and bring about a rapid improvement in living standards.

While the outlook for the remainder of 2004 is promising, the government faces the immediate challenge of persuading all states to continue to save the oil revenue windfall. It will be essential to preserve and reinforce fiscal discipline and solidify the gains made in macroeconomic stabilization. Early passage of the Fiscal Responsibility Bill will help provide the legal underpinning for a prudent consolidated fiscal policy.

The CBN should continue to implement a credible monetary framework aimed at achieving the end-year inflation targets. Given the uncertain inflation outlook, the CBN needs to stand ready to actively manage excess liquidity consistent with its targets. Excess liquidity should be absorbed through market-determined domestic instruments. The liquidity management practices need to be strengthened to improve the effectiveness of monetary policy. Foreign exchange market reforms should be considered to bring about exchange rate unification.

Consistent implementation of structural reforms will be essential to enhancing prospects for achieving higher sustainable growth and poverty reduction. In this context, it would be important to complete the first phase of the civil service reforms and progress to the second phase in 2005. The announced banking sector reforms should help reduce the vulnerability of the financial system and enhance financial deepening. In this context, staff welcomes the CBN's request for technical assistance to ensure that the banking reforms are consistent with best practices. The privatization program needs to be accelerated to address the problem of chronic shortages and attract new investment. The announced trade liberalization by mid-2005, in the context of sound macroeconomic policies and improved infrastructure, should help spur export-oriented growth. However, capacity constraints continue to impede the implementation of the reform program. Weaknesses of the statistical system for policy formulation and analysis need to be addressed as a matter of priority.

The 2005 federal government budget should build on progress made in 2004 and remain consistent with the objectives of fiscal prudence and disinflation. Fiscal prudence is all the more important given the planned banking and foreign exchange market unification reforms. The performance of the capital budget needs to be enhanced, and measures need to be in place to ensure priority projects are selected.

I. Background

Overall macroeconomic performance in the first half of 2004 was in line with the authorities' program targets. Macroeconomic policies were consistent with the objectives of restoring macroeconomic stability and reducing Nigeria's vulnerability to oil price volatility. The fiscal stance was more restrained than programmed, and the overall surplus and the non-oil primary deficit of the consolidated government were better than targeted. All three tiers of government saved the oil revenue windfall. Monetary policy was tightened to address a liquidity overhang and curb inflationary pressures. International reserves rose sharply and inflation fell significantly. Progress was also made in implementing structural reforms.

Nigeria: Core Indicators, 2003-04
(Annual percentage changes, unless otherwise specified)

	2003	2004			
		First half			
		Auth. Prog 1/	Est.	Auth. Prog 1/	Rev. Prog
Consumer prices (end of period)	23.8	...	14.1	11.5	11.5
Federal non-oil primary balance, cash basis (in % of non-oil GDP)	-14.6	-14.3	-12.1	-13.0	-12.8
Consolidated non-oil primary balance, cash basis (in % of non-oil GDP)	-34.2	-40.5	-33.3	-41.5	-37.2
Broad money (12-month rate, end of period) 2/	24.1	0.1	0.1	16.0	16.0
Broad money (cumulative since end-2003)	...	7.2	7.1	16.0	16.0
Reserve Money (12-month rate, end of period) 2/	16.4	-3.7	0.1	8.2	8.2
Gross international.reserves (in billions of U.S. dollars)	7.5	10.2	11.4	12.5	13.7

1/ As reported in (IMF COUNTRY REPORT NO. 04/239).
2/ Figure for the first half is for June 2004 over June 2003

1. **Overall macroeconomic performance in the first half of 2004 was in line with the authorities' objectives and targets, namely, to restore macroeconomic stability and enhance the transparency and predictability of policies**. The key targets are to lower inflation to 10-13 percent by end-2004, from 24 percent at end-2003; rebuild gross international reserves to US$12.5 billion from US$7.5 billion at end-2003; and generate fiscal savings from the oil revenue windfall in order to contain aggregate demand pressures and provide a buffer against possible future oil price shocks.

2. **Real sector developments were in line with projections**. Oil prices averaged US$33.7 per barrel for the first half of 2004 and oil production 2.5 million barrels per day (mbd).[1] Other indicators of economic activity, such as land preparation and plantings, use of fertilizer and electricity consumption, and level of manufacturing inventories, suggest that the non-oil economy continues to grow strongly.

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[1] The authorities' macroeconomic framework for 2004 assumed an oil price of US$33.5 per barrel, average crude oil production of 2.5 mbd, and non-oil GDP growth of 4½ percent.

3. **The main fiscal targets of the authorities' program for the first half of 2004 were observed, and the fiscal stance, as measured by the non-oil primary balance of the federal government, was more prudent than programmed**. Notwithstanding lower revenue, the overall surplus was larger than projected because of the slow execution of the capital budget. The main reasons for the revenue shortfall were a lower government equity share in oil production,[2] the lagged pass-through of rising oil prices on oil revenue, a stronger naira, and delays in the transfer of the operating surpluses of federal government parastatals. While spending on overheads and personnel costs was in line with budget targets, only 43 percent of the capital budget targeted for the first half of 2004 was executed, largely on account of the delayed approval of the 2004 budget (signed into law in April) and capacity constraints in ensuring projects met the due process requirements.

Nigeria: Federal Government Budget (Cash Basis)
(In billions of naira, unless otherwise specified)

		2004		
		First half		
	2003	Auth. Prog.	Est.	Diff.
Total revenue	1,014	726	657	-68
Oil revenue	740	591	540	-50
Nonoil revenue	273	135	117	-18
Total expenditure	1,108	606	518	-89
Recurrent expenditure	841	441	424	-18
Of which: personnel and pension	368	219	219	1
overhead cost	146	51	53	2
Capital expenditure	267	165	94	-71
Of which: domestically financed	257	157	86	-71
Overall balance	-95	119	140	20
(In percent of GDP)	-1.3	2.6	3.0	0.4
Non-oil primary balance	-593	-346	-295	51
(In percent of non-oil GDP)	-14.6	-14.3	-12.1	2.1
Memorandum items				
Non-oil primary balance, federation	-1,390	-980	-809	171
(In percent of non-oil GDP)	-34.2	-40.5	-33.3	7.2
Oil price (U.S. dollars per barrel)	28.9	33.5	33.7	0.20
Oil production (millions of barrels per dollar)	2.45	2.50	2.52	0.02

4. **The consolidated fiscal stance for the first half of 2004 was more prudent than programmed, because all states saved most of the oil revenue windfall**. Initially only 12 states agreed to save the oil revenue windfall, but the authorities were able to persuade all states to save the windfall, resulting in fiscal savings of 3 percent of GDP for the consolidated government. As a result, the non-oil primary deficit was smaller than originally programmed and smaller than in 2003. The buildup of fiscal savings also helped lower Nigeria's net debt burden, consistent with the objectives of achieving fiscal sustainability over the medium-term and reducing fiscal vulnerability to potential oil price shocks.[3]

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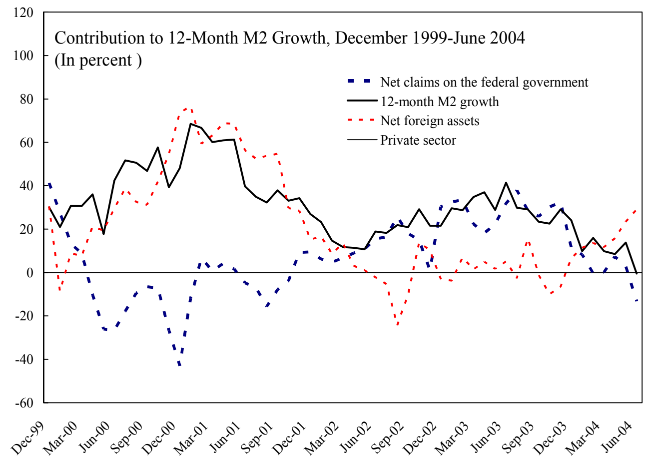
[2] Although oil production was in line with program targets, a higher-than-expected share of this production was supplied by fields operated under production sharing contracts and other licensing arrangements without government equity participation. The government's equity stake in the country's total crude oil production fell to 50 percent in the first half of 2004 compared with 52 percent projected.

[3] However, the end-2003 gross public debt figure does not include domestic contractor and pension arrears, tentatively estimated at about 20 percent of GDP, and contingent liabilities. The Debt Management Office is in the process of verifying the stock of outstanding arrears

(continued)

However, total savings from the oil revenue windfall fell short of projections largely because the windfall from sales of crude for domestic refining appears not to have been set aside in accounts with the CBN.[4] The authorities indicated that they would review the method for calculating the windfall oil revenue to ensure consistency with the understandings of the oil price-based rule.



5. **The monetary program was broadly on track and consistent with achieving the end-year inflation target.** Fiscal restraint along with tighter liquidity management helped slow 12-month broad money growth to 8.6 percent in August from 29.1 percent a year earlier. The government's sterilization of the oil revenue windfall in savings accounts with the CBN and lower-than-targeted capital spending helped control liquidity expansion. Money market rates have increased since end-2003, turning positive in real terms (Figure 4), and net credit to the government declined more than programmed. The introduction of the new clearing and settlement bank system in early April also helped mop up excess liquidity as each of the seven designated settlement banks was required to deposit N 15 billion in FGN treasury bills—as settlement collateral—with the CBN or N 105 billion in total (equivalent to about 14 percent of end-2003 base money).[5]

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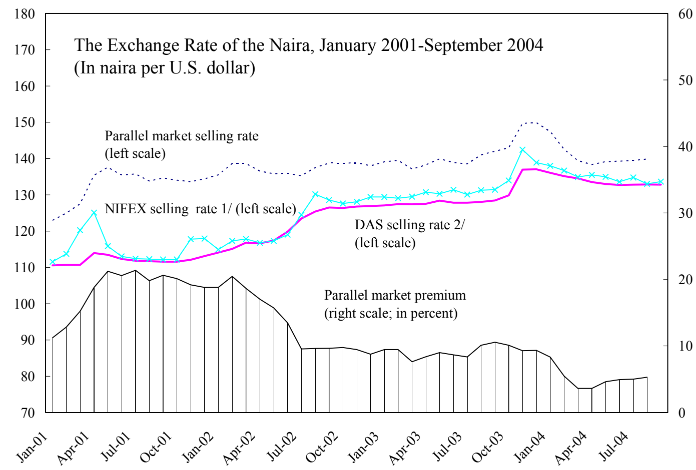
and contingent liabilities, and will then assess the implications this may have on public debt burden.

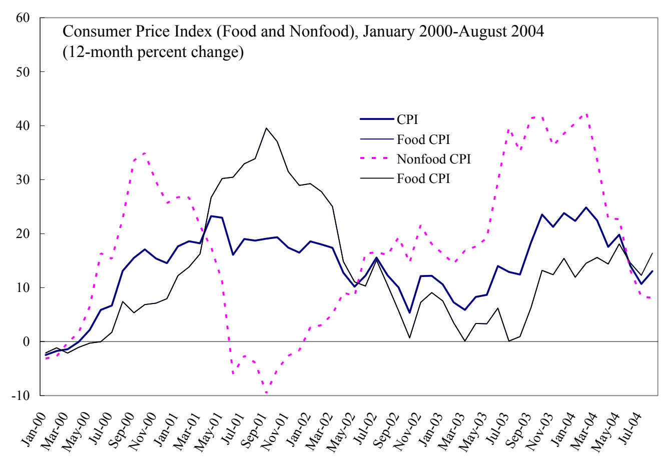
[4] Under the oil price-based rule, all oil related revenue above the budget reference price of US$25 per barrel should have been saved. Staff estimates that total savings fell 1½ percent of GDP short in the first half of 2004. This amount was distributed to the three tiers of government. While the federal government saved this extra revenue, the SLGs appear to have spent their share.

[5] The new system is expected to reduce banks' overdrawn accounts with the CBN, enhance monetary control, and, over time, contribute to the consolidation of the banking industry.

6. **Tighter liquidity conditions dampened foreign exchange market pressures.** The naira has appreciated against the U.S. dollar by 4 percent since end-2003, and the parallel market premium has remained relatively stable at around 5 percent. Foreign exchange demand increased somewhat in the second quarter, largely because of uncertainty over the course of policies under the new governor of the CBN as well as the implications of the announced bank consolidation reforms (see discussion below). The CBN responded by increasing foreign exchange sales through the Dutch Auction System (DAS). DAS sales fell back to first-quarter levels following the return of investor confidence (Figure 4).

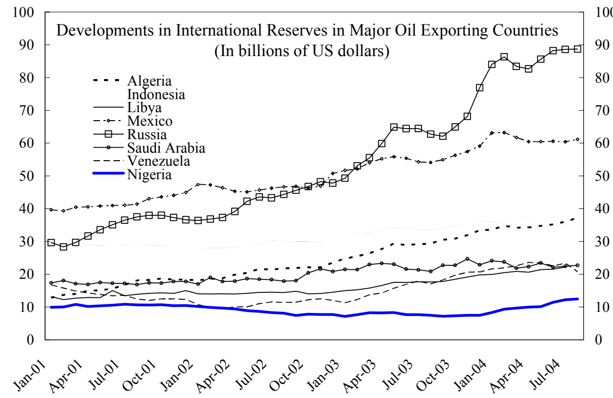


7. **The tight monetary stance and the strengthened naira helped lower inflation**. The 12-month inflation rate declined sharply to 13 percent in August from 23.8 percent at end-2003, enhancing the prospects for achieving the end-year target despite the recent increase in domestic fuel prices.[6] Nonfood inflation, which accounts for about 30 percent of the consumer price index, has been declining since the beginning of the year. Food prices continue to benefit from a bountiful harvest and underlying structural improvements in the agricultural sector.



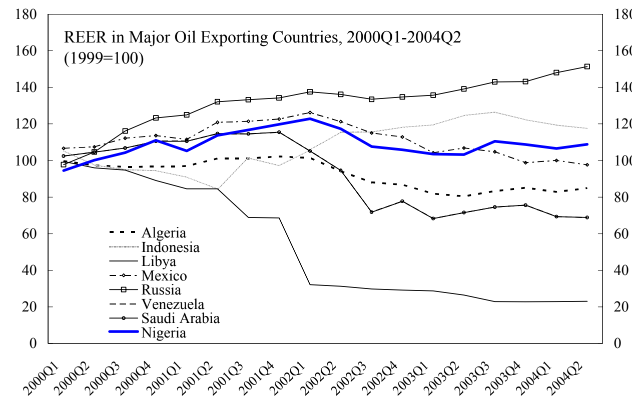
[6] Following rulings of the High Court of Abuja in January and May, pump prices were fixed below import parity cost. The Nigerian National Petroleum Corporation (NNPC) was forced to absorb the cost of the subsidy by drawing on its cash reserves. In mid-September, the court's injunction against fuel price increases was lifted. In response, NNPC adjusted wholesale prices to cover costs of importing refined products, and oil marketing companies increased pump prices by about 25 percent in September in line with higher costs. This adjustment is expected to add about 3 percentage points to the consumer price index.

8. As a result of record high oil export proceeds and prudent macroeconomic policies, **international reserves** rose from 3.8 months of imports at end-2003 to 4.9 months of imports at end-June 2004.[7] The stronger-than-programmed increase in the first half of 2004 was largely due to a more restrained fiscal position. Gross reserves rose further through September.



Source: IFS; Central Bank of Nigeria.

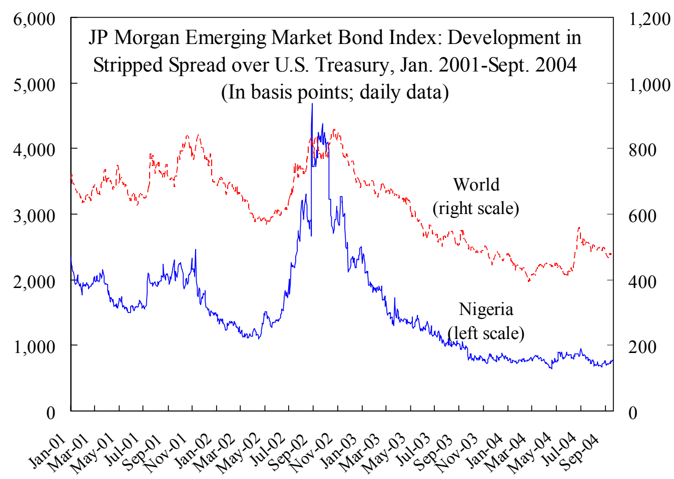
9. Reflecting prudent macroeconomic management of the positive terms of trade shock, the **real exchange rate** has remained largely unchanged since end-2003.



Source: IFS; Central Bank of Nigeria.

10. **External debt-service payments were made as budgeted.** During January-August, the authorities continued to meet all obligations falling due to multilateral and commercial creditors. External debt-service payments amounted to US$1.1 billion, of which US$0.7 billion was paid to Paris Club creditors, consistent with the budget appropriation to pay US$1.8 billion for the year.[8] Among the remaining bilateral rescheduling agreements from the 2000 Paris Club agreement, that with Finland was signed in late September.

11. **Movements in sovereign risk spread suggest that confidence in the Nigerian economy is gradually returning**. Nigeria's spread over the overall JP Morgan Emerging Market Bond Index Global has narrowed by about 50 basis points since end-2003. Investor confidence improved, visible in the commitments of about US$150 million



[7] Excluding services, the import coverage ratio was 7.8 months at end-June.

[8] The total amount due to the Paris Club in 2004 is US$2.2 billion.

new investment made by several large multinational corporations in the non-oil economy during the first half of 2004.

12. **Progress has been made in implementing the structural reform agenda.** Several measures have been taken to reform the civil service, public procurement, and the banking system. The Extractive Industries Transparency Initiative (EITI) is also moving forward.

A. Civil Service Reforms

- The restructuring of five pilot ministries and agencies has advanced.[9] The first phase scheduled to be completed by the end of the year, entails completing payroll surveys to eliminate ghost workers, assessing skills to identify redundancies and training needs, and streamlining the organizational structure. [10] The second phase, which focuses on the financing of severance packages and training programs, is scheduled for 2005.

- The Head of Service Office has directed several large ministries (e.g., works, health and education) to examine their payroll, confirm the legality of employees, and assess the skills of their staff. These directives are being issued ahead of the finalization of the pilot programs. The authorities expect that this could eventually result in a sizable reduction in personnel.

B. Customs Administration Reforms

- A new head of customs administration was appointed, 30 senior officials were removed on findings of corruption, and 80 additional senior officials were retired.

C. Procurement and Due Process Reforms

- A consultation workshop was held with the public and private sectors to discuss draft procurement legislation. The final draft law is expected to be submitted to the National Assembly by end-October 2004.

- Due process units have been integrated into all line ministries to review the implementation of their respective capital budgets. The units consist of in-house staff and a sector expert from the Budget Management Price Intelligence Unit (BMPIU). The

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[9] These include the Ministry of the Federal Capital Territory (MFCT), Ministry of Finance/Budget Office of the Federation (BOF), National Planning Commission (NPC), Ministry of Information, and the State House.

[10] About 3,000 ghost workers and some 250 senior staff positions were eliminated at the MFCT in 2004. The MFCT has begun the skills assessment phase, while BOF is testing an integrated personnel and payroll management system, which will be extended to other ministries and agencies.

BMPIU staff will be doubled to cope with the expanding work assignments, which should help to improve the effectiveness and value for money of the Federal Government's capital budget.

D. Transparency and Extractive Industries Transparency Initiative (EITI) Reforms

- An international oil industry expert will be hired shortly to assist the stakeholder monitoring group to draft the terms of reference for the oil revenue payment audits. The auditor is to be selected by January 2005, with preliminary results expected to be available by mid-2005.

- The authorities published the 2004 half year report on budget implementation, the monthly distribution of oil revenue to all levels of government, and the amounts saved every month.

E. Banking Sector Reforms

- In July 2004, the CBN announced plans for consolidating the banking sector. Banks will be required to increase their minimum capital base to N 25 billion by end-2005, from N 1 billion at end-2003.[11] The CBN also announced that it would adopt a zero tolerance policy for misreporting and move toward a risk-based supervision framework—both in line with the recommendations of the 2002 Financial Sector Assessment Program (FSAP).[12]

13. **However, progress in other areas has been protracted**.[13] A number of priorities, such as the privatization of the oil refineries, have been delayed.[14] In addition, a tariff reform,

[11] Banks achieving the new end-2005 target will benefit from a number of incentives, including amnesty on past misreporting, authorization for foreign exchange dealing and access to public funds.

[12] The 2002 Financial System Stability Assessment (FSSA) concluded that there were serious concerns about the soundness and stability of the banking system in Nigeria. The system was characterized by (i) weak corporate governance; (ii) widespread insider lending; (iii) high level of non-performining loans and systemic underprovisioning; (iv) dependence on government for business and deposits; (v) persistent misreporting by many banks; and (vi) weak supervisory framework, with a heavy reliance on direct controls. For a more detailed discussion, see IMF Country Report No. 03/3 and No. 04/239.

[13] See Appendix III for progress made in structural reforms.

[14] The delay was due in part to the complexity of the operation, including the need for proper due diligence, and was worsened by a temporary court injunction that froze prices on refined petroleum products.

which was initially expected to go into effect on July 1, 2004, will now be introduced a year later.[15] The tariff structure will be streamlined to five tariff bands (0, 5, 10, 20 and 50 percent). Duty concessions will no longer be granted. Existing import bans will be phased out in 2007 and replaced by the highest tariff rate.

II. Report on the Discussions

14. **Discussions focused on the outlook for the remainder of the year and program risks and challenges.** Preliminary discussions were also held on the 2005 federal government budget and the implications of the announced banking sector reforms for the vulnerability of the financial system.

15. **While good progress was made toward restoring macroeconomic stability in the first half of the year and the outlook for the remainder of 2004 is promising, the challenges and risks remain considerable**. The most pressing challenges are to continue to save the oil revenue windfall, consolidate the macroeconomic stability achievements made so far, including preserve fiscal discipline, and deepen the reform process. The Nigerian economy is also vulnerable to social and political risks, visible in the recent labor strikes and unrest in the oil-rich Niger Delta region as well as ethnic conflicts in some northern states.[16] Furthermore, capacity constraints continue to impede the implementation of the reform agenda, including in monitoring program implementation.

A. Short-term Outlook and Immediate Policy Challenges

16. **The macroeconomic outlook for the remainder of 2004 is good**. Higher world oil prices and continued prudent macroeconomic policies are expected to allow for sizable savings of the oil revenue windfall, lower inflation, and larger international reserves.

17. **The authorities have revised their macroeconomic framework for 2004 as follows:** The average oil price for the year was increased to US$35.8 per barrel from US$33.5 per barrel, while oil production—reflecting capacity constraints—was lowered in the second half of the year from 2.5 mbd to 2.4 mbd. The net impact is higher oil export proceeds and lower oil GDP growth for the year. By contrast, the non-oil GDP growth and current account surplus targets for the year remain unchanged. Owing largely to the

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[15] The authorities indicated that the delays were primarily due to the realization that additional time was required to build consensus around the reforms.

[16] The National Labor Congress called a labor strike in early October 2004 to protest increases in domestic fuel prices. In addition, workers for the oil and gas industry went on a two-day strike to protest restructuring plans by local affiliates of international oil companies. So far, the impact of these strikes on exports and oil production has been limited. The government has announced that it will establish a committee, with civil society participation, to design measures that will mitigate the adverse impact of higher fuel prices on the poor.

unexpected oil windfall savings from all states in the first half of the year, international reserves were revised up to US$13.7 billion at end-2004 (6.6 months of imports). While prospects for achieving the end-year inflation target have improved, the outlook is clouded by increases in domestic fuel prices.

18. **In spite of lower revenue, the fiscal performance of the federal government is projected to be in line with the authorities' program target.** Both oil revenue and non-oil revenue were revised down largely because of lower petroleum profit taxes (PPT) and profit transfers from federal parastatals.[17] However, 80 percent of the capital budget is expected to be implemented by end-2004. With reduced capital spending more than offsetting lower non-oil revenue, the federal government will register a slightly smaller than programmed non-oil primary deficit. However, the overall cash surplus will be smaller than initially projected.

Nigeria: Federal Government Budget (Cash Basis)
(In billions of naira, unless otherwise specified)

	2004			
	Second half		Year	
	Auth. Prog.	Rev. Prog.	Auth. Prog.	Rev. Prog.
Total revenue	863	765	1,589	1,422
Oil revenue	634	575	1,225	1,115
Nonoil revenue	229	190	364	306
Total expenditure	638	639	1,245	1,157
Recurrent expenditure	438	438	880	862
Of which: personnel and pension	219	222	438	441
overhead cost	51	50	102	103
Capital expenditure	200	202	365	295
Of which: domestically financed	192	194	350	280
Overall balance	225	125	344	265
(In percent of GDP)	4.8	2.7	3.7	2.8
Non-oil primary balance	-287	-329	-633	-624
(In percent of non-oil GDP)	-11.8	-13.5	-13.0	-12.8
Memorandum items				
Non-oil primary balance, federation	-1,028	-998	-2,008	-1,807
(In percent of non-oil GDP)	-42.3	-41.1	-41.5	-37.2
Oil price (U.S. dollars per barrel)	34.0	38.0	33.5	35.8
Oil production (millions of barrels per dollar)	2.48	2.40	2.50	2.46

19. **Discussions further focused on the feasibility of implementing the capital budget**. The authorities indicated that, aside from the late passage of the 2004 budget, poor project conception, planning and costing by line ministries also contributed to the slow implementation. In addition, several agencies postponed project planning because they were not convinced that funds would be forthcoming given their past experience of shortages in capital appropriations. With capital releases more predictable and steady, the authorities expect implementation to improve in the second half of 2004.

20. **Staff also inquired about progress made in meeting the objectives of the National Economic Empowerment and Development Strategy (NEEDS).** The authorities noted that review of performance in priority line ministries (education, health, power, water, and works) indicated that progress, albeit slower than expected, was achieved: (i) electricity generation and transmission capacity have increased by 7 percent and 12 percent, respectively; (ii) the road maintenance program is on target, with most of the work completed, although road construction projects have progressed more slowly than envisaged. Outcomes in the health sector have been disappointing. End-year targets for immunization and polio eradication are

[17] Estimated tax collection from PPT for the year was lowered. The authorities indicated that they would review the method used for projecting PPT because they may not be accounting for all costs claimed by oil companies against their tax liability.

not likely to be met.[18] To achieve most of the goals set out under NEEDS for 2007, the authorities stressed that these programs would have to be accelerated.

21. **The consolidated non-oil primary deficit is projected to be larger in 2004 than in 2003.** However, the sizable increase in oil revenue will allow for substantial savings—estimated at 9 percent of non-oil GDP for the year. The authorities' program projections assume that the oil revenue windfall savings achieved during the first half of 2004 will not be distributed but that only 12 out of the 36 states will save the oil revenue windfall in the second half of 2004. The authorities are cautiously optimistic that they will be able to persuade all states to save the windfall for the remainder of the year. If all 36 states were to save the windfall in the second half of 2004, this would result in a smaller non-oil primary deficit for 2004 and increase fiscal savings by an additional 2 percent of non-oil GDP.

22. **In this context, the authorities reiterated the importance of timely finalization and passage of the Fiscal Responsibility Bill for sound fiscal management in Nigeria.** The bill has far-reaching implications for fiscal and macroeconomic management in Nigeria. It would, among others, establish clear rules for budget formulation, execution, reporting and auditing at all levels of government, including applying an oil price-based fiscal rule to manage oil revenue and insulate the economy from sharp movements in oil prices. The authorities emphasized that a number of critical issues are being discussed with the states, such as their desire to have own savings accounts with the CBN. However, they also indicated that for the oil price-based rule to be meaningful, understandings on triggers for use would need to be formalized. Following more than a year of consultation with various key stakeholders, the authorities are hopeful that the bill would be passed by mid-2005.

23. **While the CBN's original monetary framework remains consistent with lowering inflation to 10-13 percent by end-2004, staff stressed the need for continued vigilance to curb any emerging demand pressures**. The authorities increased the gross international reserve accumulation program target from US$5 billion to US$6.2 billion, reflecting the more restrained fiscal stance and higher oil proceeds. The full-year reserve money and broad money targets were left unchanged. Staff pointed out that the inflation outlook for the remainder of the year was uncertain. Liquidity increases and reserve money expansion could come from the 24 states spending their oil revenue windfall from the second half of 2004 and from accelerating the implementation of the federal capital budget. Staff recommended that the CBN stand ready to actively manage excess liquidity through the use of open market operations, including, if necessary, allowing for higher short-term interest rates in order to smooth liquidity conditions and ensure consistency with the monetary targets. This would also help quell foreign exchange market pressures.

[18] Of the 45.2 million children projected to be immunized by end-2004, only 36 percent were vaccinated by June 2004.

24. **The CBN officials indicated that, if necessary, to curb inflationary pressures, they would prefer fiscal adjustment and the use of foreign exchange sales, rather than more aggressive open market operations**. They also stressed that changes in the exchange rate affect inflation within three months, while changes in interest rates have longer lags. Central Bank officials also felt that political pressure as well as the weak financial situation of banks may prevent them from more actively managing excess liquidity.[19] While recognizing these institutional and legal constraints on monetary policy, staff noted that interest rates have, for the most part, been fixed and negative in real terms. In addition, it stressed that foreign exchange sales should be consistent with the CBN's monetary program and a market-determined exchange rate. Staff also urged the authorities to continue to examine the transmission channels of monetary policy, in particular the stability and relations between various monetary aggregates and prices; the CBN's monetary framework should be modified in light of this analysis.

B. Fiscal Framework for 2005

25. **Preliminary discussions were held on the 2005 federal government budget**. The federal government, in line with 2004 Article IV consultation recommendations, began the 2005 budget cycle earlier than in recent years. The authorities indicated that they plan to increase the capital budget to accommodate the priorities outlined under NEEDS, while limiting the overall cash deficit to 3 percent of GDP at the reference price for crude oil of US$27 per barrel. The authorities noted that they reached understandings with all state and local governments (SLGs) on the fiscal framework for 2005. They indicated that the oil revenue windfall in excess of the reference price will be saved by all tiers of government. The federal government and the SLGs will use 50 percent of their projected 2004 oil revenue windfall savings to finance higher capital budget and other priority programs in 2005.

26. **Staff's preliminary estimates indicate that implementing these understandings would result in a more expansionary fiscal stance in 2005 than in 2004,** as indicated by the two percentage points deterioration in the consolidated non-oil primary deficit.[20]

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[19] In late July 2004, the CBN began withdrawing some public sector deposits from commercial banks to mop up excess liquidity. This was expected to lead to tighter money market conditions, as banks with large public sector deposits tend to be net placers of these funds in the interbank market. However, as the withdrawal operations occurred at about the same time as the CBN announced its bank consolidation reforms, a number of smaller, weaker banks began experiencing liquidity problems, with the larger banks less willing to place surplus funds with them, resulting in sharp increases in overnight call rates, prompting the central bank to stop its withdrawal of public sector deposits.

[20] Under the current working assumptions with only 12 out of the 36 states saving the oil windfall in the second half of 2004 but all states saving the first half year windfall, the 50 percent use of the savings achieved in 2004 would result in a two percentage point deterioration in the nonoil primary balance as percent of nonoil GDP. If all states save the oil

(continued)

However, the fiscal framework would also yield substantial savings of the windfall and an overall budget surplus of 12 percent of GDP at the projected WEO oil price of US$42.8 per barrel, allowing for a further reduction in net public debt.

27. **Staff also discussed ways to improve the effectiveness of the capital budget to meet the objectives of poverty reduction and higher growth established under NEEDS**. The draft 2005 budget proposal was submitted to the National Assembly on October 12, 2004 for approval by year-end. In addition, as part of the preparation of the 2005 budget, a medium-term expenditure framework (MTEF) has been prepared. The authorities expect this to help promote more stable public expenditures and improve the capital project planning process for line ministries as well as establish a strong link between the budget and the priorities of government. Furthermore, a special unit within the Ministry of Finance will be established to conduct project return assessments.

C. Technical Assistance and Capacity Building

28. **The government is making more effective use of technical assistance (TA).** A Fiscal Affairs Department (FAD) mission visited Abuja in July 2004 to assess tax administration at the Federal Inland Revenue Service (FIRS), with a particular emphasis on large taxpayers, and more specifically, the oil and gas sector. It proposed a comprehensive tax administration reform strategy centered on a function-based organization with strong headquarters and integrated field offices as well as a full-service Large Taxpayers Office. The mission also recommended a sound governance structure, a tax procedures code, staff restructuring, and extensive IT support. The authorities indicated that they would follow up on the recommendations and seek further TA to improve their audit capabilities of the oil sector.

29. **Staff held discussions on the implications of the announced bank consolidation reforms on the vulnerability of the financial system and reviewed the need for further technical assistance in this area**. A Monetary and Financial Systems Department (MFD) mission visited Abuja in early August to review the bank consolidation plans. Given balance sheet weaknesses in a number of banks, these reforms could result in market pressures and the failure of some banks.[21] The mission and the authorities agreed that further TA was required in order to minimize such risks. It is envisaged that MFD will deliver a TA package to strengthen banking supervision—along the recommendations of the 2002 FSSA

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revenue windfall in the second half of 2004, the non-oil primary deficit would deteriorate by 4 percentage points of nonoil GDP in 2005.

[21] The Nigerian banking system includes 89 deposit banks with 3,300 branches, with the top ten banks controlling around half of total assets. The CBN assessed that as of end-2003 about 11 banks were insolvent and 24 marginally sound. They account for about 17 percent of the banking system's deposits (2½ percent of GDP).

report—and review the legal and regulatory framework, with the aim to help the authorities restructure the banking system in line with best practice principles.

30. **Technical assistance has also been provided by the Fund to review reforms aimed at exchange rate unification and CBN's monetary policy framework.** The mission supported the authorities' intention to move to a wholesale DAS, as this would help unify the current retail DAS with the Nigerian interbank foreign exchange market, and recommended that prudential regulations for open positions be strengthened and banks be required to report on a daily basis. The mission also reviewed the CBN's liquidity management framework, and recommended that the CBN: (i) clarify and reinforce its commitment to price stability as a primary objective of monetary policy; (ii) establish a liquidity forecasting unit; (iii) actively manage day-to-day liquidity consistent with the daily targets and the reserve money program; and (iv) and strengthen liquidity management by gradually withdrawing from the treasury bill market, phasing out government borrowing from the CBN, and relying on short-term instruments. It is expected that further TA would be provided to set up an appropriate liquidity forecasting framework and to operationalize the wholesale DAS.

31. **Staff reiterated the importance of timely and accurate provision of key data**. While it recognized progress made in policy coordination and overall data gathering, staff stressed the need for improving data collection and reconciliation. In particular, it recommended that the technical committee for data collection established earlier in 2004 be made operational as a matter of urgency, and be given a dedicated staff and develop monthly output tables, consistent with the requirements for monitoring the authorities' macroeconomic program on a quarterly basis. Staff also recommended that the monthly reports of the federal government include movements in government accounts with the CBN and commercial banks and that the classification of federal government deposits at the CBN be made consistent with the federal government definition, as presented by the BOF. In this context, the authorities indicated that they would move to a Treasury Single Account for the federal government in 2005, hoping this will improve transparency of fiscal accounting and cash management. Finally, staff urged the CBN to improve the quality of data collection and reconciliation, urging it to review the implementation of its monetary program at a higher frequency, preferably on a weekly basis, and improve its communication with the public through frequent reporting on performance and policies.

III. Staff Appraisal

32. **Overall economic performance in the first half of 2004 was commendable.** The implementation of prudent macroeconomic policies, underpinned by a conservative reference oil price and savings of the windfall oil revenue, has helped stabilize the economy. This along with a tight monetary policy has contributed to a build up of international reserves, a sharp decline in inflation, and exchange rate stability. These developments signal a reversal of past imprudent macroeconomic policies and will help reduce Nigeria's vulnerability to oil price shocks. They also offer hope that implementation of the reform agenda will lead to a durable transformation in economic management that will, in turn, help realize Nigeria's vast growth potential and bring about a rapid improvement in living standards.

33. **The immediate challenge facing the government is to consolidate these achievements and convince all states to continue to save the windfall oil revenue**. It will be essential to preserve and reinforce fiscal discipline and solidify the gains made in macroeconomic stabilization. Early passage of the Fiscal Responsibility Bill will help provide the legal underpinning for a prudent consolidated fiscal policy, including a framework for policy coordination, consistent budget formulation and reporting, and implementation of an oil price-based rule at all levels of government.

34. **The CBN should continue with the implementation of a credible monetary framework aimed at achieving the end-year inflation target**. Given the uncertain inflation outlook, the CBN needs to stand ready to actively manage excess liquidity consistent with its monetary targets through open market operations rather than foreign exchange sales. For these to be effective, interest rates need to adjust to underlying demand and supply conditions in the money market. Staff further encourages strengthening liquidity management practices as these would enhance the operational effectiveness of monetary policy. In this context, staff reiterates the need for early exchange rate unification and encourages reforms that will transform the current retail auction to a wholesale auction system. However, for these reforms to have the intended impact, it will be important that the CBN's legal and operational independence be strengthened and weaknesses in the banking system addressed.

35. **Staff welcomes progress made in the restructuring of the pilot ministries and agencies.** It encourages the authorities to complete the first phase of the reforms by end-2004 and progress to the second phase of retrenchment and training in 2005. Experience gained here could be useful for the restructuring of all other line ministries.

36. **Staff commends Nigeria's efforts to improve transparency and accountability of public finances, in particular with regard to the oil sector.** The planned audits of the oil sector and the early passage of the procurement reform bill should help strengthen transparency of oil revenue and public expenditure management**.**

37. **The privatization program needs to be invigorated.** Deregulation and privatization, particularly in the telecommunications, transportation, power generating and downstream petroleum sectors, should be accelerated to address the problem of chronic shortages and bottlenecks and to attract new investment. The country's poor and unreliable infrastructure is a major deterrent to higher growth of the non-oil economy. Staff is concerned that the authorities have not been able to move as fast as intended on trade reforms, which are to streamline the tariff regime consistent with ECOWAS's regime, and urges the authorities to implement them without any further delay. It also calls for an early replacement of all quantitative restrictions on imports with tariffs. Trade liberalization in the context of sound macroeconomic policies and improved infrastructure will be vital to spur export-oriented growth.

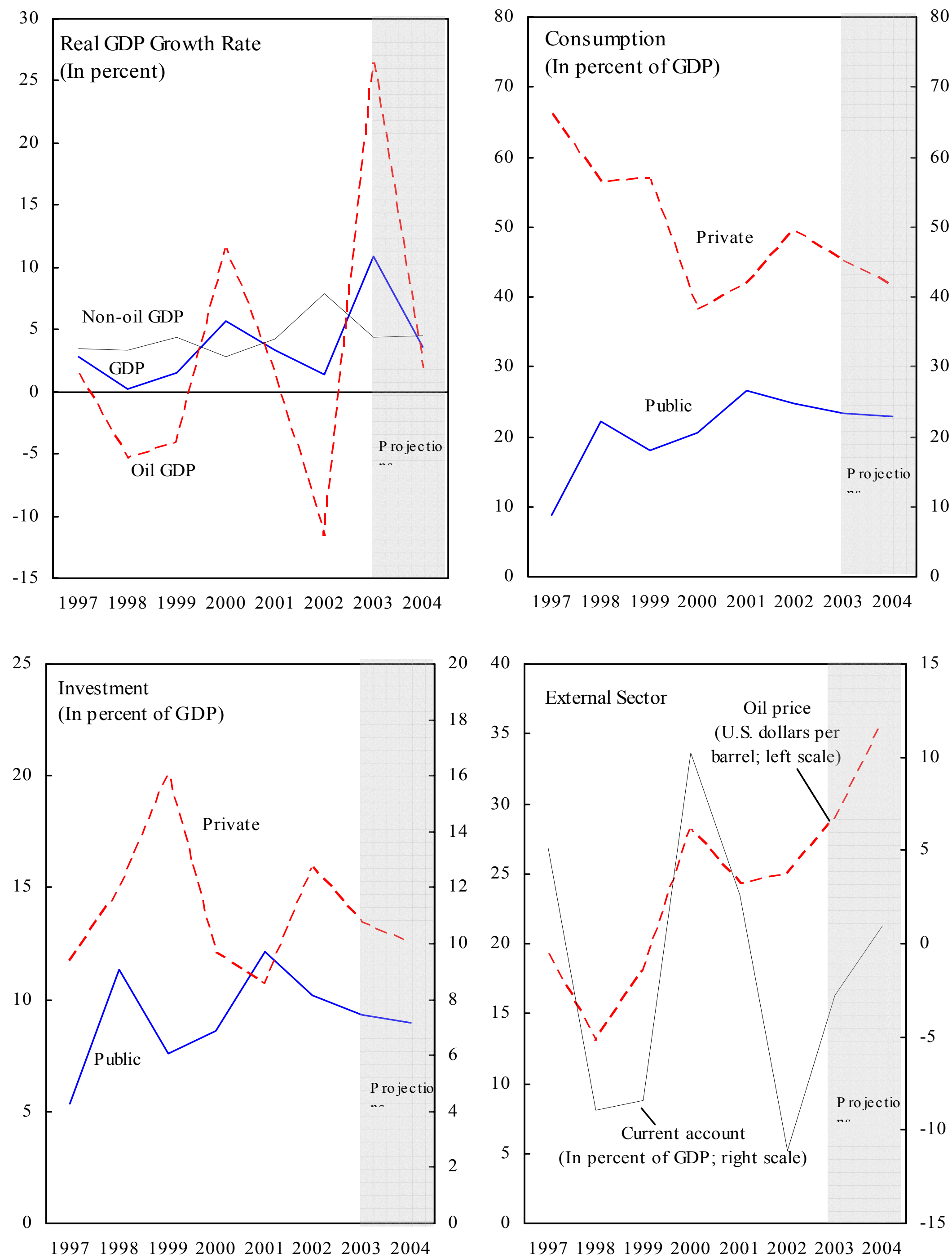
38. **While staff welcomes the announced intention to consolidate the banking system, it urges the CBN to develop a comprehensive strategy that identifies and addresses in a transparent manner the downside risks associated with such a proposed reform.** Given

the importance of the reforms to putting Nigeria's financial system on a solid and sound foundation, staff welcomes the CBN's request for a comprehensive TA package, including reviewing the current framework for supervision, to ensure that the reforms are consistent with best practices.

39. **Staff calls on the government to ensure that the 2005 federal budget remains consistent with fiscal prudence and disinflation objectives**. Fiscal prudence is all the more necessary given the planned banking reforms and steps to unify the foreign exchange market. Staff also urges the authorities to enhance the performance of the capital budget, particularly education, health, power, roads, and water. This is essential for improving economic and social conditions in Nigeria, raising the growth prospects of the non-oil economy and shoring up support for the reform program. While noting the need to increase spending to alleviate poverty and move towards meeting the Millennium Development Goals (MDGs), it will be important to ensure that fiscal policy remains sustainable over the medium-term.

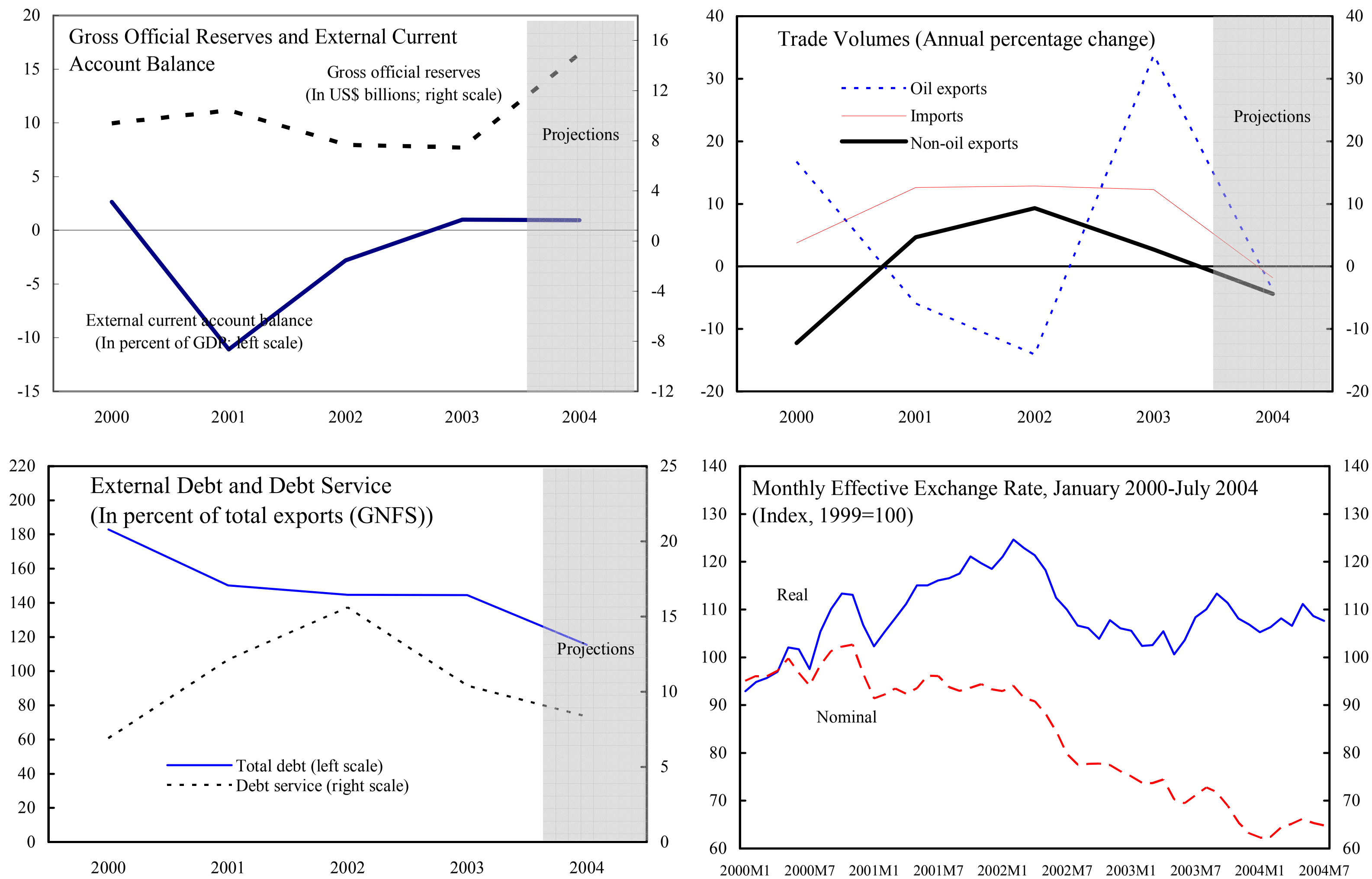
40. **The weakness of the statistical system for policy formulation and analysis needs to be addressed as a matter of priority**. The technical committee for data collection should be made operational and be given a dedicated staff to ensure consistency of data submission for the quarterly implementation of the program.

Figure 1. Nigeria: Real Sector Developments, 1997–2004



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

Figure 2. Nigeria: External Sector, 2000-04



Sources: Nigerian authorities; IMF Information Notice System; and Fund staff estimates and projections.

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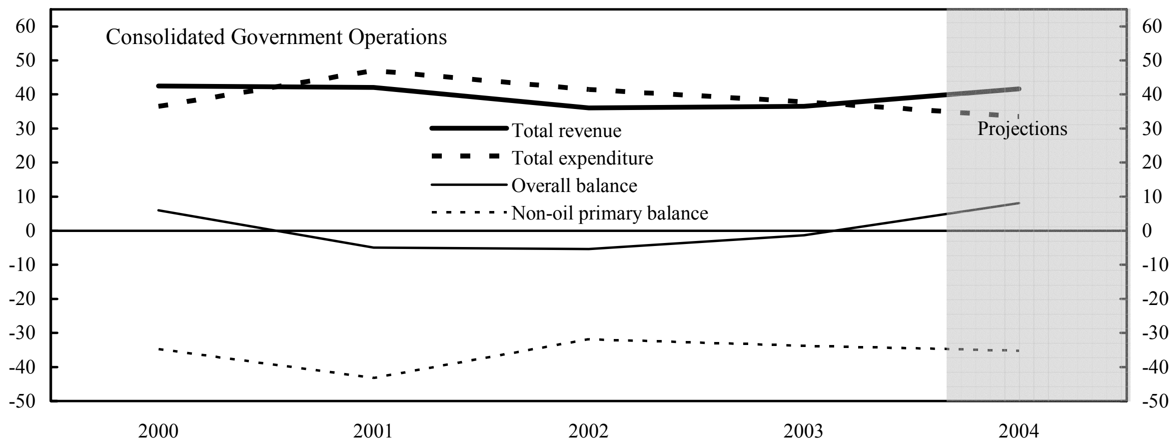
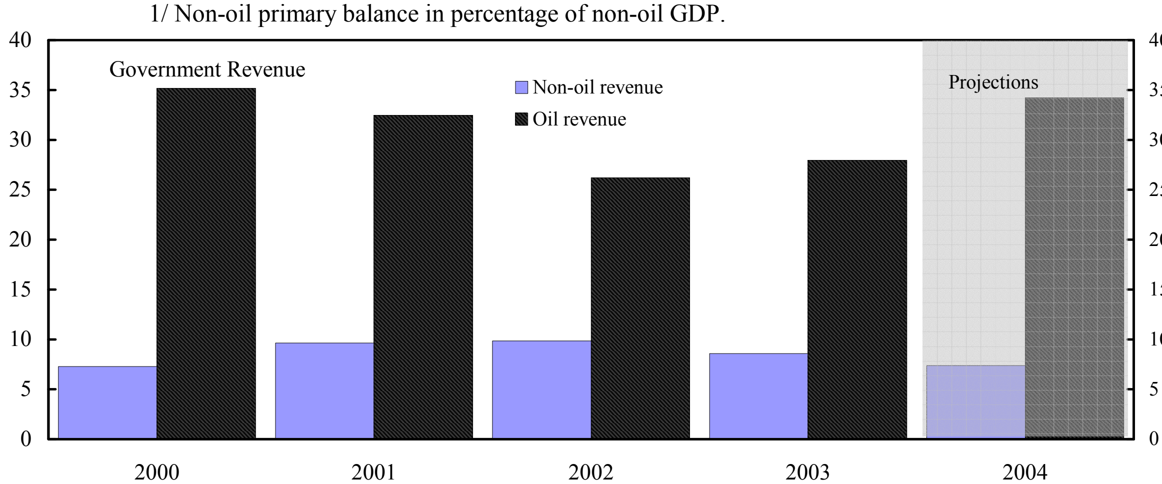
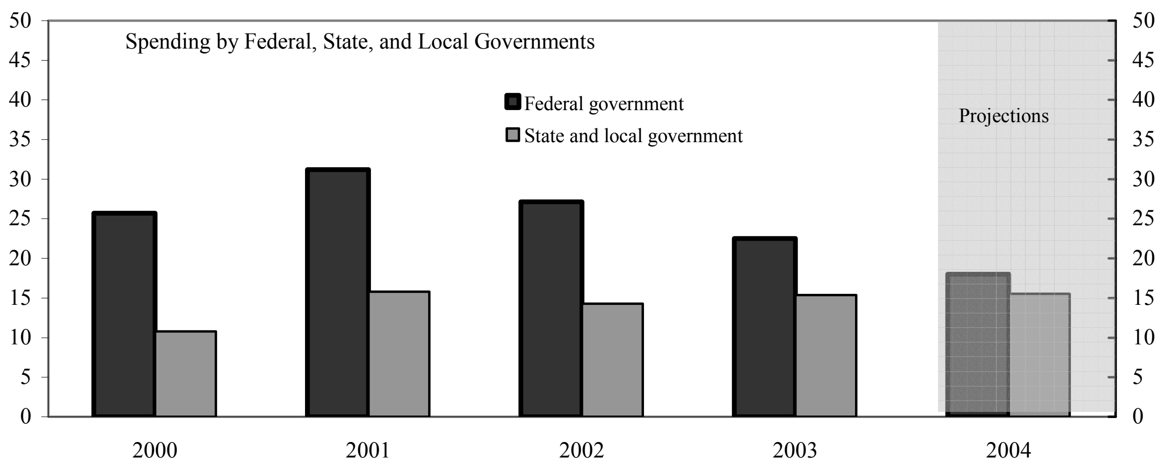
Figure 3. Nigeria: Consolidated Government Operations, 2000–04
(In percent of GDP)



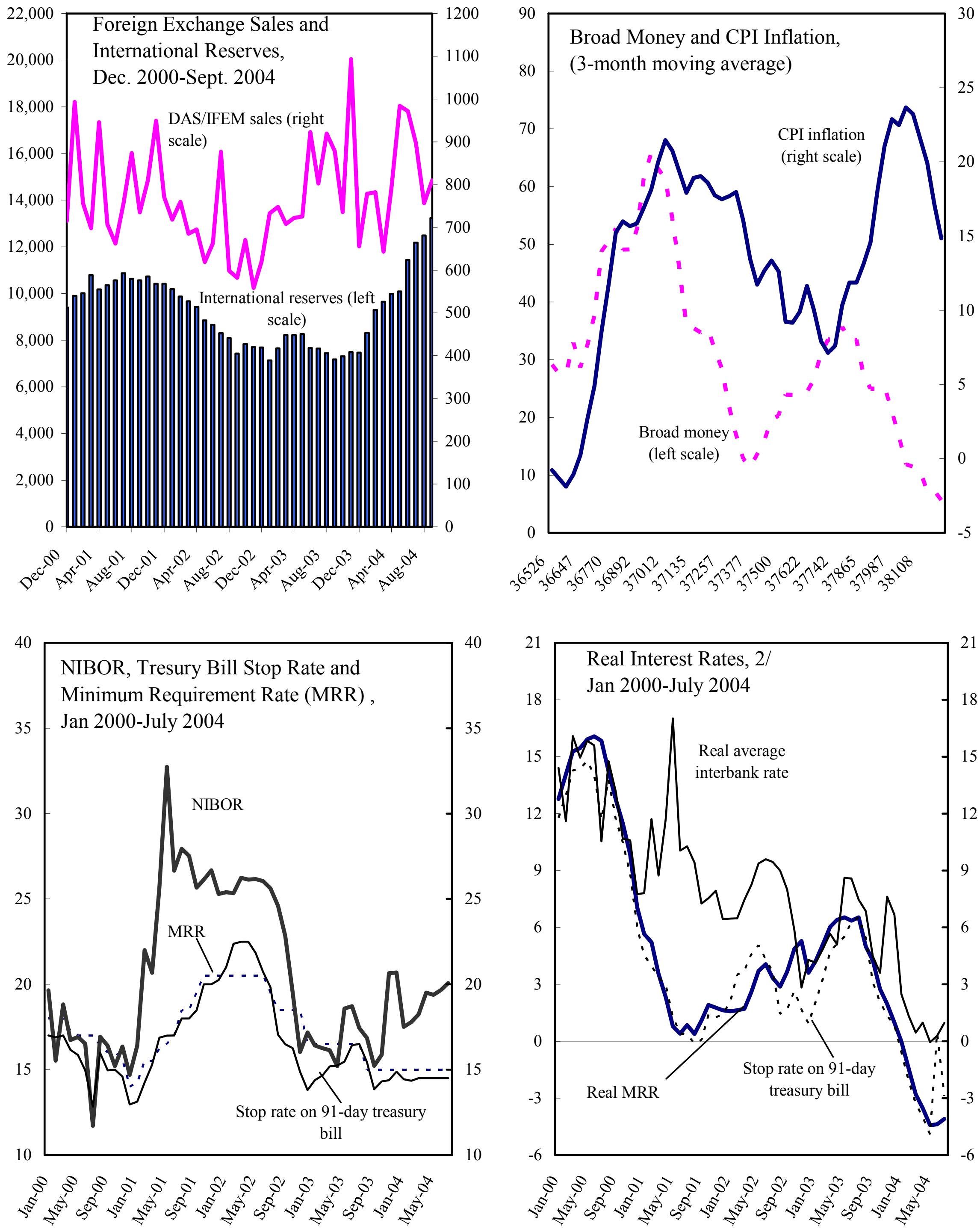
1/ Non-oil primary balance in percentage of non-oil GDP.





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

Figure 4. Nigeria: Monetary Indicators, January 2000–August 2004
(In percent, unless otherwise indicated)



Source: Nigerian authorities, and Fund staff estimates.

1/ The interbank interest rate is a weighted average of the 7-day call rate (49 percent weight) and the 30- and 90-day rates (20 percent weight each).
2/ Adjusted for annual average consumer price index inflation.

Table 1. Nigeria: Selected Economic and Financial Indicators, 2001–05

	2001	2002	2003	2004		2005
			Est.	CR 04/239	Proj.	Proj
	(Annual percentage changes, unless otherwise specified)					
National income and prices						
Real GDP (at 1990 factor cost)	3.3	1.4	10.9	4.1	3.6	7.5
Oil GDP	1.4	-11.6	26.5	3.3	1.9	12.9
Non-oil GDP	4.3	8.0	4.4	4.5	4.5	4.9
Agriculture	3.9	4.3	6.5	4.3	4.3	4.7
Industry	8.7	8.9	6.4	6.0	6.0	7.0
Services	3.6	13.0	1.2	4.2	4.2	4.5
Real GDP per capita	0.6	-1.3	7.9	1.3	0.8	4.6
GDP per capita (in U.S. dollars)	362	341	415	471	485	582
Non-oil GDP per capita (in U.S. dollars)	199	180	201	204	204	224
GDP deflator (period average)	10.8	3.9	20.8	17.7	19.4	17.0
Non-oil GDP deflator (period average)	20.5	5.5	15.8	15.6	14.3	10.8
Consumer price index (annual average)	18.0	13.7	14.0	16.5	15.1	11.5
Consumer price index (end of period)	16.5	12.2	23.8	11.5	10.1	9.1
External sector						
Exports, f.o.b. 1/	-17.5	-9.8	54.6	14.7	21.1	32.7
Imports, f.o.b.	8.8	16.2	26.5	3.4	4.5	32.9
Non-oil export volume	4.7	9.3	2.7	9.5	-4.4	11.3
Oil export volume 1/	-6.0	-14.1	33.7	-2.3	-3.9	11.0
Volume of import of goods and nonfactor services	10.3	11.9	10.8	-3.3	-1.2	25.1
Terms of trade	-10.4	-0.5	2.5	7.2	15.3	18.5
Nominal effective exchange rate (end of period; - indicates depreciation) 2/	-3.3	-18.3	-17.0	2.6	...	...
Real effective exchange rate (end of period; - indicates depreciation) 2/	11.2	-10.4	0.8	0.7	...	...
Consolidated government operations 3/						
Total revenue and grants	13.1	-9.7	35.5	50.4	38.2	37.7
Oil revenue	5.3	-14.8	42.7	58.7	46.8	43.0
Capital expenditure and net lending 4/	61.2	-11.6	23.0	34.5	18.9	26.0
Money and credit						
Net foreign assets 5/	15.3	-3.5	5.5	28.8	37.6	55.6
Net domestic assets 5/	12.6	25.0	19.0	-21.4	-23.2	-41.6
Net domestic credit 5/	34.6	48.3	27.2	-21.4	-20.6	-41.6
Net credit to consolidated government	11.4	37.6	11.4	-32.4	-33.5	-54.9
Net credit to the federal government	9.5	38.5	11.2	-31.8	-27.8	-61.1
Credit to the rest of the economy	23.0	10.8	15.7	13.8	12.9	13.2
Broad money	27.2	21.6	24.1	16.0	16.0	14.0
Velocity (non-oil GDP as a multiple of end-of-period broad money)	2.2	2.1	2.0	2.1	2.1	2.1
Treasury bill rate (percent; end of period)	20.0	14.9	17.3	...	...	...
Discount rate (percent; end of period)	20.5	18.5	15.0	...	...	...
	(In percent of GDP; unless otherwise specified)					
Investment and saving						
Investment	22.8	26.1	22.8	21.8	21.5	21.6
Public fixed investment	12.1	10.2	9.3	10.3	9.0	9.0
Private fixed investment	10.7	15.9	13.4	11.6	12.5	12.6
Gross national savings	25.4	15.0	20.0	22.8	22.4	26.8
Public	15.6	11.3	13.2	19.9	18.0	24.3
Private	9.8	3.6	6.7	2.9	4.4	2.4
Consolidated government operations 3/						
Total revenues and grants	42.1	36.1	36.5	44.8	40.9	44.8
Of which oil and gas revenue	32.5	26.2	28.0	36.2	33.2	37.8
Total expenditure and net lending (commitment basis)	47.0	41.4	37.9	39.5	35.9	33.5
Overall balance (commitment basis)	-4.9	-5.4	-1.3	5.3	5.0	11.4
Non-oil primary balance (in percent of non-oil GDP, commitment basis)	-43.2	-31.9	-33.8	-40.9	-37.2	-37.5
Gross domestic debt	19.0	20.7	17.7	15.1	15.0	11.9
External sector						
Current account balance	2.6	-11.1	-2.8	1.0	0.9	5.2
External debt outstanding (in billions of U.S. dollars)	29.7	31.0	32.8	32.7	32.7	32.5
External debt service due after rescheduling, 2000–01						
(in percent of exports of goods and nonfactor services)	5.2	6.4	5.2	4.7	4.5	3.8
	(In millions of U.S. dollars, unless otherwise specified)					
Current account balance	1,255	-5,115	-1,611	681	654	4,410
Overall balance of payments	-98	-4,503	-1,606	3,062	4,328	7,386
Gross international reserves (end of period)	10,423	7,681	7,468	12,474	13,672	22,494
(equivalent months of imports, c.i.f.)	7.6	4.9	3.8	6.1	6.6	8.6
Price of Nigerian oil (U.S. dollars per barrel)	24.3	25.0	28.9	33.5	35.8	42.8
Production of crude oil (million barrels per day)	2.26	1.96	2.45	2.50	2.46	2.71
Including oil and gas equivalent		2.15	2.72	2.81	2.77	3.12
Interbank Foreign Exchange Market/DAS exchange rate (naira per U.S. dollar; average)	112.0	122.2	130.9	...	...	...
Nominal GDP at market prices (in billions of naira) 6/	5,339	5,632	7,533	9,235	9,309	11,685

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

1/ Export volumes fall more than total production because of an increase in the domestic allocation of crude oil to the Nigerian Naional Petroleum Corporation (NNPC) in 2002 from 2001.

2/ 2004 data are based on end-July 2004 over end-2003.

3/ Consists of the federal, state, and local governments.

4/ Assumes that two-thirds of state and local government expenditure is recurrent expenditure.

5/ In percent of broad money at the beginning of the period.

6/ The GDP series was updated in 2003 and incorporates changes by the authorities to take account of developments in real activity and structural changes

Table 2a. Nigeria: Fiscal Operations (Cash Basis), 2002-05

	2002	2003	2004					2005
			Q1	Q2	Q3	Q4	Year	
	Est.		Prel.		Proj.			Proj.
Oil price (in U.S. dollars per barrel)	25	29					35.8	42.8
			(In billions of naira)					
Total revenue	2,030	2,752	928	898	969	1,009	3,804	5,239
Oil and gas revenue	1,476	2,106	769	740	776	807	3,091	4,421
Government crude receipts	719	967	352	439	360	369	1,520	1,790
Petroleum profit tax and royalty	393	683	299	218	198	198	912	1,568
Petroleum profit tax	224	438	225	138	138	138	639	1,076
Royalty	169	246	73	80	60	60	273	492
Upstream gas sales and Nigeria Liquefied Natural Gas (NLNG)	34	32	10	13	13	13	50	90
Other oil revenue (gas flared; pipeline fees)	25	38	1	1	10	10	23	44
Gas flaring penalty	4	5	1	1	2	2	6	7
Other taxes	21	33	1	0	8	8	17	36
Domestic crude	304	386	108	69	194	216	586	929
Non-oil revenue	554	646	159	158	194	202	713	818
Import and excise duties	181	195	51	52	48	45	196	236
Companies income tax	89	115	28	30	35	35	127	154
Value-added tax	109	136	37	39	41	41	157	173
Education tax	10	10	4	1	3	4	12	10
Federal government independent revenue	68	54	2	2	31	45	80	100
State and local governments' internal revenue	78	96	26	26	26	26	106	115
Customs levies	20	39	10	9	9	6	35	29
Total consolidated expenditure	2,239	2,741	620	847	845	880	3,192	3,901
Total federal government and extrabudgetary expenditure	1,434	1,605	311	458	419	439	1,627	2,172
Recurrent expenditure	1,109	1,338	304	371	332	325	1,332	1,708
Goods and services	478	514	116	157	137	134	544	651
Personnel and pensions	368	368	100	119	110	112	441	545
Personnel	...	304	83	103	93	93	372	426
Pensions	...	64	18	15	18	19	70	119
Overhead cost	109	146	16	38	27	23	103	106
Interest payments	213	242	38	68	58	63	227	272
Domestic	171	170	34	50	51	46	181	191
External, cash	42	72	4	18	7	17	46	81
Transfers	419	581	150	146	136	128	560	785
Nigerian National Petroleum Corporation (NNPC) cash calls	346	451	120	108	102	100	430	580
NNPC priority projects	6	0	0	0	0	0	0	0
National Judicial Council	15	26	4	10	13	6	33	33
Transfer to Niger Delta Dev. Comm.	14	9	0	7	0	4	11	17
Customs levies funds	20	39	10	9	9	6	35	29
Education fund	10	10	4	1	3	4	12	10
Universal Basic Education commission	...	...	...	...	...	...	...	26
Federal government extrabudgetary funds	8	46	12	12	9	9	41	90
Federal government capital expenditure	318	267	7	87	88	114	295	464
Domestically financed 1/	305	257	3	83	84	110	280	441
Capital expenditure	305	257	3	83	84	110	280	441
Foreign financed	13	10	4	4	4	4	15	23
State and local governments	805	1,136	309	390	426	441	1,565	1,640
Primary expenditure	805	1,124	307	384	423	435	1,550	1,613
External interest payment, cash	0	12	1	6	2	6	15	27
Clearance of arrears and recapitalizations	...	...	...	...	...	...	...	90
Overall balance (cash basis)	-208	11	308	50	124	129	612	1,337
Overall balance (excluding clearance of arrears)	...	...	...	...	...	...	...	1,427
Financing	284	133	-448	-84	-124	-129	-786	-1,337
External	-105	-153	-11	-38	-65	-51	-165	-103
Borrowing	13	10	4	4	4	4	15	23
Amortization, cash	-101	-163	-15	-42	-68	-55	-180	-126
Domestic financing	369	256	-437	-53	-60	-145	-695	-1,264
Central bank (net, consolidated government)	138	366	-570	-15	-101	-113	-799	-1,512
Of which: windfall oil receipts	...	...	-143	-125	-81	-96	-445	-1,466
Commercial banks (net, federal government)	261	-116	158	-34	41	-32	133	248
Commercial banks (net, states and local governments)	-30	6	-26	-3	0	0	-29	0
Privatization proceeds	20	0	0	0	0	0	0	19
Recovered funds	0	30	0	7	0	67	74	10
Statistical discrepancy	75	144	-140	-34	0	0	-174	0
Non-oil primary balance, federation	-1,126	-1,390	-302	-507	-489	-509	-1,807	-2,205
Non-oil primary balance, excluding arrears clearance	-1,126	-1,390	-302	-507	-489	-509	-1,807	-2,115

Table 2a. Nigeria: Fiscal Operations (Cash Basis), 2002-05

	2002	2003	2004					2005
			Q1	Q2	Q3	Q4	Year	
	Est.		Prel.		Proj.			Proj.
Oil price (in U.S. dollars per barrel)	25	29					35.8	42.8
			(in percent of GDP)					
Total revenue	36.1	36.5					40.9	44.8
Oil and gas revenue	26.2	28.0					33.2	37.8
Non-oil revenue	9.8	8.6					7.7	7.0
Total consolidated expenditure	39.8	36.4					34.3	33.4
Total federal government and extrabudgetary expenditure	25.5	21.3					17.5	18.6
Recurrent expenditure	19.7	17.8					14.3	14.6
Goods and services	8.5	6.8					5.8	5.6
Interest payments	3.8	3.2					2.4	2.3
Domestic	3.0	2.3					1.9	1.6
External, cash	0.8	1.0					0.5	0.7
Transfers	7.4	7.7					6.0	6.7
Federal government capital expenditure	5.6	3.5					3.2	4.0
Domestically financed 1/	5.4	3.4					3.0	3.8
Foreign financed	0.2	0.1					0.2	0.2
State and local governments	14.3	15.1					16.8	14.0
Overall balance (cash basis)	-3.7	0.1					6.6	11.4
Overall balance (excluding clearance of arrears)	...	...					...	12.2
Financing	5.0	1.8					-8.4	-11.4
External	-1.9	-2.0					-1.8	-0.9
Domestic	6.6	3.4					-7.5	-10.8
Recovered funds	0.0	0.4					0.8	0.1
Statistical discrepancy	1.3	1.9					-1.9	0.0
Memorandum items:								
Non-oil primary balance (in percent of non-oil GDP) 2/	-33.5	-34.2					-37.2	-39.1
Non-oil primary balance (excluding arrears clearance, in percent c	-33.5	-34.2					-37.2	-37.5
Non-oil revenue (in percent of non-oil GDP)	16.5	15.9					14.7	14.5
Nominal GDP (in billions of naira)	5,632	7,533					9,309	11,685
Non-oil GDP (in billions of naira)	3,365	4,069					4,856	5,642

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

1/ Actual cash spending

2/ Excluding oil revenue, cash call payments, and cash interest payments.

Table 2b. Nigeria: Fiscal Operations (Commitment Basis), 2001-05

	2001	2002	2003	2004	2005
			Est.	Proj.	
	(In billions of naira)				
Total revenue	2,248	2,030	2,752	3,804	5,239
Oil and gas revenue	1,733	1,476	2,106	3,091	4,421
Government crude receipts	955	719	967	1,520	1,790
Petroleum profit tax and royalty	613	393	683	912	1,568
Upstream gas and NLNG	27	34	32	50	90
Other oil revenue	5	25	38	23	44
Domestic crude	134	304	386	586	929
Non-oil revenue	515	554	646	713	818
Tax revenue	470	486	592	633	718
Taxes on international trade and transactions	195	201	235	231	265
Import duties and excises	171	181	195	196	236
Customs levies	24	20	39	35	29
Taxes on net income, profits, and capital gains	154	176	221	245	280
Company income tax	69	89	115	127	154
Education tax	16	10	10	12	10
State and local governments' internal revenue 1/	69	78	96	106	115
Domestic taxes on goods and services	122	109	136	157	173
Value-added tax (VAT)	92	109	136	157	173
Petroleum tax	30	0	0	0	0
Nontax revenue	44	68	54	80	100
Federal government independent revenue	44	68	54	80	100
Total consolidated expenditure	2,510	2,333	2,853	3,338	3,909
Total federal expenditure	1,666	1,529	1,696	1,736	2,245
Federal government recurrent expenditure	1,225	1,257	1,444	1,441	1,781
Goods and services	403	478	514	544	651
Personnel cost	285	368	368	441	545
Overhead cost	118	109	146	103	106
Interest payments due	327	361	349	336	345
Domestic	155	171	170	181	191
Foreign	172	190	179	155	154
Transfers	495	419	581	560	785
Nigerian National Petroleum Corporation (NNPC) cash calls	392	346	451	430	580
NNPC priority projects	38	6	0	0	0
National Judicial Council	15	15	26	33	33
Transfer to Niger Delta Dev. Comm	10	14	9	11	17
Customs levies funds	24	20	39	35	29
Education fund	16	10	10	12	10
Universal Basic Education commission	...	...	...	...	26
Federal government extrabudgetary funds	...	8	46	41	90
Federal government capital expenditure	441	264	252	295	464
Domestically financed	433	251	242	280	441
Foreign financed	8	13	10	15	23
State and local governments	844	805	1,157	1,602	1,664
Primary expenditure	844	805	1,124	1,550	1,613
External interest payments due	...	...	33	52	51
Overall balance (commitment basis) 2/	-262	-303	-101	466	1,330
Financing	285	378	245	-640	-1,330
External	-59	43	-26	-19	-5
Borrowing	8	13	10	15	23
Amortization due	-192	-168	-179	-213	-238
Federal government	…	…	-151	-160	-179
States	…	…	-28	-53	-60
Arrears, rescheduling, and debt buyback	125	197	143	179	210
Domestic	137	369	256	-695	-1,344
Net claims on federal government	99	399	250	-386	...
Central bank	164	138	366	-518	...
Banking system	-65	261	-116	133	...
Net claims on state and local governments	38	-30	6	-310	...
Privatization proceeds	86	20	0	0	19
Recovered funds	0	0	30	74	0
Carryover of unspent capital mandates 3/	121	-54	-16	0	0
Statistical discrepancy	23	75	144	-174	0
Memorandum item:					
Non-oil balance	-1,604	-1,433	-1,756	-2,195	-2,511
Non-oil primary balance 4/	-1,277	-1,072	-1,375	-1,807	-2,115
Primary balance	65	58	248	854	1,726

Table 2b. Nigeria: Fiscal Operations (Commitment Basis), 2001-05

	2001	2002	2003	2004	2005
			Est.	Proj.	
	(In percent of GDP; unless otherwise indicated)				
Total revenue	42.1	36.1	36.5	40.9	44.8
Petroleum revenue	32.5	26.2	28.0	33.2	37.8
Government crude receipts	17.9	12.8	12.8	16.3	15.3
Petroleum profit tax and royalty	11.5	7.0	9.1	9.8	13.4
Petroleum profit tax	7.6	4.0	5.8	6.9	9.2
Royalty	3.9	3.0	3.3	2.9	4.2
Upstream gas and NLNG	0.5	0.6	0.4	0.5	0.8
Other oil revenue	0.1	0.4	0.5	0.2	0.4
Domestic crude	2.5	5.4	5.1	6.3	8.0
Nonpetroleum revenue	9.6	9.8	8.6	7.7	7.0
Tax revenue	8.8	8.6	7.9	6.8	6.1
Taxes on international trade and transactions	3.6	3.6	3.1	2.5	2.3
Taxes on net income, profits, and capital gains	2.9	3.1	2.9	2.6	2.4
Domestic taxes on goods and services	2.3	1.9	1.8	1.7	1.5
Nontax revenue	0.8	1.2	0.7	0.9	0.9
Total consolidated expenditure	47.0	41.4	37.9	35.9	33.5
Total federal expenditure	31.2	27.1	22.5	18.6	19.2
Federal government recurrent expenditure	22.9	22.3	19.2	15.5	15.2
Goods and services	7.5	8.5	6.8	5.8	5.6
Personnel cost	5.3	6.5	4.9	4.7	4.7
Overhead cost	2.2	1.9	1.9	1.1	0.9
Pension arrears clearance	0.0	0.0	0.0	0.0	0.0
Interest payments due	6.1	6.4	4.6	3.6	3.0
Domestic	2.9	3.0	2.3	1.9	1.6
Foreign	3.2	3.4	2.4	1.7	1.3
Transfers	9.3	7.4	7.7	6.0	6.7
NNPC cash calls	7.3	6.1	6.0	4.6	5.0
NNPC priority projects	0.7	0.1	0.0	0.0	0.0
National Judicial Council	0.3	0.3	0.3	0.4	0.3
Transfer to Niger Delta Dev. Comm	0.2	0.2	0.1	0.1	0.1
Customs levies	0.5	0.4	0.5	0.4	0.2
Education Fund	0.3	0.2	0.1	0.1	0.1
Federal government extrabudgetary funds	...	0.1	0.6	0.4	0.8
Federal government capital expenditure	8.3	4.7	3.3	3.2	4.0
Domestic financed	8.1	4.5	3.2	3.0	3.8
Foreign financed	0.1	0.2	0.1	0.2	0.2
State and local governments	15.8	14.3	15.4	17.2	14.2
Primary expenditure	15.8	14.3	14.9	16.6	13.8
External interest payments due	...	…	0.4	0.6	0.4
Overall balance (commitment basis) 2/	-4.9	-5.4	-1.3	5.0	11.4
Financing	5.3	6.7	3.3	-6.9	-11.4
External	-1.1	0.8	-0.3	-0.2	0.0
Borrowing	0.1	0.2	0.1	0.2	0.2
Amortization due	-3.6	-3.0	-2.4	-2.3	-2.0
Federal government	...	...	-2.0	-1.7	-1.5
States	...	…	-0.4	-0.6	-0.5
Arrears, rescheduling, and debt buyback	2.3	3.5	1.9	1.9	1.8
Domestic	2.6	6.6	3.4	-7.5	-11.5
Privatization proceeds	1.6	0.3	0.0	0.0	0.2
Recovered funds	0.0	0.0	0.4	0.8	0.0
Carryover of unspent capital mandates 3/	2.3	-1.0	-0.2	0.0	0.0
Statistical discrepancy	0.4	1.3	1.9	-1.9	0.0
Memorandum items:					
Non-oil balance (in percent of GDP)	-30.0	-25.4	-23.3	-23.6	-21.5
Non-oil primary balance (in percent of non-oil GDP) 4/	-43.2	-31.9	-33.8	-37.2	-37.5
Primary balance (in percent of GDP)	1.2	1.0	3.3	9.2	14.8
Target for overall balance (permanent price rule, in percent of GDP)	7.8	2.8	9.0	15.7	21.5
Deviation from target (permanent price rule, in percent of GDP)	-12.8	-8.2	-10.4	-10.7	-10.1
Nominal GDP (in billions of naira)	5,339	5,632	7,533	9,309	11,685
Non-oil GDP (in billions of naira)	2,955	3,365	4,069	4,856	5,642

Source: Nigerian authorities; and Fund staff estimates and projections.

1/ State and local governments collect their own revenue (such as income tax and property tax).

2/ External debt service is on a commitment basis. Capital spending for 2002 excludes the cash overhang of N 160 billion accumulated in 2001.

3/ This reflects the drawdown of unspent capital mandates to finance capital expenditure committed in previous years. Insufficient data prevent the inclusion of actual commitments in 2000-01.

4/ Excluding oil revenue, cash call payments, and interest payments.

Table 2c. Nigeria: Fiscal Accounts, Federal Government Budget, 2003-2005

	2003	2004						2005	
			Q1	Q2	Q3	Q4	Year		
	Est.	Budget	Prel.		Proj.			Prel. Budg.	Proj.
Oil price (in U.S. dollars per barrel)	29.0	25.0					35.8	27.0	42.8
					(in billions of naira)				
Total revenue 1/	1,014	1,170	334	323	369	396	1,422	1,303	1,975
Petroleum revenue	740	806	274	267	279	296	1,115	988	1,621
Nonpetroleum revenue	273	365	60	57	90	100	306	315	355
Import and excise duties	95	106	25	25	23	22	95	114	114
Companies' income tax	56	69	13	15	17	17	62	75	75
Value-added tax	20	23	5	6	6	6	23	26	26
Federal government independent revenue	54	118	2	2	31	45	80	100	100
Customs levies	39	30	10	9	9	6	35	...	29
Education tax	10	18	4	1	3	4	12	...	10
Total expenditure	1,108	1,239	180	338	309	330	1,157	1,572	1,592
Recurrent expenditure	841	874	172	251	221	216	862	1,041	1,038
Personnel	304	368	83	103	93	93	372	426	426
Pensions	64	70	18	15	18	19	70	119	119
Overhead cost	146	102	16	38	27	23	103	106	106
Interest payments	242	243	38	68	58	63	227	314	272
Domestic	170	186	34	50	51	46	181	191	191
External, cash	72	57	4	18	7	17	46	123	81
Transfers 2/	84	92	19	26	26	19	90	76	115
National Judicial Council	26	30	4	10	13	6	33	33	33
Transfer to Niger Delta Development Commission	9	14	0	7	0	4	11	17	17
Customs levies	39	30	10	9	9	6	35	...	29
Education Fund	10	18	4	1	3	4	12	...	10
UBE Commission	...	...	...	...	...	...	...	26	26
Capital expenditure	267	365	7	87	88	114	295	441	464
Domestic	257	350	3	83	84	110	280	441	441
External	10	15	4	4	4	4	15	...	23
Clearance of arrears and recapitalizations	...	...	...	...	...	...	...	90	90
Overall balance (cash basis)	-95	-68	154	-15	60	66	265	-269	384
Overall balance (excluding clearance of arrears and recapitalizations)	...	...	...	...	...	...	...	-179	474
Financing	152	68	-289	-17	-60	-66	-431	269	-384
External	-128	-108	-7	-28	-47	-37	-120	-46	-71
Borrowing	10	15	4	4	4	4	15	...	23
Amortization, cash	-138	-123	-11	-32	-51	-41	-135	-46	-95
Domestic financing	250	92	-282	4	-12	-95	-386	286	-341
Central bank (net)	366	...	-440	38	-53	-63	-518	158	-589
Of which: excess oil proceeds	...	...	-60	-53	-53	-63	-230	158	-589
Commercial banks (net)	-116	...	158	-34	41	-32	133	128	248
Privatization proceeds	0	0	0	0	0	0	0	19	19
Recovered funds	30	84	0	7	0	67	74	10	10
Statistical discrepancy	57	0	-135	-32	0	0	-166	0	0
Memorandum items:									
Non-oil primary balance	-593	-631	-82	-213	-161	-168	-624	-943	-966
Non-oil primary balance (excluding clearance of arrears)	-593	-631	-82	-213	-161	-168	-624	-853	-876
Budgetary revenue	964	1,122	320	313	356	386	1,375	1,303	1,936
Balance on the budget (BOF definition, debt service above the line)	-222	-176	147	-43	12	28	145	-315	312
					(in percent of GDP)				
Total revenue	13.5	12.6					15.3	11.2	16.9
Petroleum revenue	9.8	8.7					12.0	8.5	13.9
Nonpetroleum revenue	3.6	3.9					3.3	2.7	3.0
Total expenditure	14.7	13.3					12.4	13.5	13.6
Recurrent expenditure	11.2	9.4					9.3	8.9	8.9
Goods and services	6.8	5.8					5.8	5.6	5.6
Interest payments	3.2	2.6					2.4	2.7	2.3
Transfers 2/	1.1	1.0					1.0	0.6	1.0
Capital expenditure	3.5	3.9					3.2	3.8	4.0
Overall balance (cash basis)	-1.3	-0.7					2.8	-2.3	3.3
Overall balance (excluding arrears' clearance and recapitalizations)	...	...					...	-1.5	4.1
Financing	2.0	0.7					-4.6	2.3	-3.3
External	-1.7	-1.2					-1.3	-0.4	-0.6
Domestic financing	3.3	1.0					-4.1	2.4	-2.9
Central bank (net)	4.9	…					-5.6	…	…
Commercial banks (net)	-1.5	…					1.4	…	…
Recovered funds	0.4	0.9					0.8	0.1	0.1
Statistical discrepancy	0.8	0.0					-1.8	0.0	0.0
Memorandum items:									
Non-oil primary balance (in percent of non-oil GDP)	-14.6	-13.0					-12.8	-16.7	-17.1
Non-oil primary balance (excl. arrears' clearance, in percent of non-oil GD	-14.6	-13.0					-12.8	-15.1	-15.5
Budgetary revenue	12.8	12.1					14.8	11.2	16.6
Balance on the budget (BOF definition)	-3.0	-1.9					1.6	-2.7	2.7
NNPC cash calls (in millions of U.S. dollars)	3,500	3,200					3,200	4,230	4,230
External debt service (FGN share, in millions of U.S. dollars)	1,357	1,350					1,350	1,350	1,350
Nominal GDP (in billions of naira)	7,533	9,309					9,309	11,685	11,685
Nominal non-oil GDP (in billions of naira)	4,069	4,856					4,856	5,642	5,642

Source: Authorities; and Fund staff estimates

1/ Oil revenue net of cash call payments.
2/ Excluding transfer to the NNPC for cash call payments.

Table 3. Nigeria: Monetary Survey, 2001–05 1/ 2/

	2001	2002	2003	2004 June		2004	2005
			Est.	Auth. Prog	Est.	Proj.	
	(In billions of naira, end of period)						
Net foreign assets	1,433	1,387	1,476	1,801	1,943	2,221	3,502
Central Bank of Nigeria (net)	1,145	1,008	1,059	1,382	1,523	1,802	3,083
Commercial and merchant banks (net)	288	379	417	418	419	419	419
Net domestic assets	-91	238	541	327	215	81	-877
Net domestic credit	830	1,329	1,765	1,546	1,485	1,355	397
Consolidated government (net) 3/	2	391	573	295	112	-93	-1,356
Central Bank (net, consolidated government)	-179	-41	254	-212	-331	-545	-2,056
Commercial banks (net, federal government) 4/	154	415	298	507	422	431	679
Commercial banks (gross, states and local governments)	27	17	20	...	21	20	20
Nonfinancial public enterprises	1	0	0	...	0	0	0
Other financial institutions	6	5	7	...	12	7	7
Claims on private sector 4/	821	933	1,185	1,251	1,361	1,441	1,746
Other items (net)	-921	-1,092	-1,223	-1,220	-1,271	-1,274	-1,274
Broad money	1,316	1,599	1,985	2,127	2,113	2,303	2,625
Bonds and money market instruments (of banks)	26	25	32		44	...	...
	(Contribution to broad money growth unless otherwise stated)						
Net foreign assets	15.3	-3.5	5.5	17.2	23.9	37.6	55.6
Net domestic assets	12.6	25.0	19.0	-18.8	-24.1	-23.2	-41.6
Net domestic credit	34.6	48.3	27.2	-5.9	-8.8	-20.6	-41.6
Net credit to the consolidated government 3/	11.4	37.6	11.4	-15.4	-24.0	-33.5	-54.9
Net credit to the federal government	9.5	38.5	11.2	-15.6	-13.3	-27.8	-61.1
Claims on private sector	23.0	10.8	15.7	10.1	15.3	12.9	13.2
Other items (net)	-22.0	-13.0	-8.2	-13.0	-15.4	-2.6	0.0
Broad money (percent change since year's end)	27.2	21.6	24.1	7.2	6.5	16.0	14.0
Claims on private sector (percent change since year's end)	40.9	13.6	27.0	5.6	14.9	21.7	21.1
Velocity (non-oil GDP over broad money)	2.2	2.1	2.0	2.3	2.3	2.1	2.1
Money multiplier	2.4	2.7	2.9	3.4	3.4	3.1	3.2
Non-oil GDP at market prices (in billions of naira)	2,955	3,365	4,069	4,913	4,913	4,856	5,642
Reserve money (in billions of naira)	542	591	689	630	630	745	820
Memorandum item							
Gross international reserves (in millions of U.S. dollars)	10,423	7,681	7,468	10,164	11,441	13,672	22,494

Sources: Central Bank of Nigeria (CBN); and Fund staff estimates and projections.

1/ Consolidated accounts of the CBN, commercial banks, and merchant banks.

2/ Based on the revised money and banking time series constructed by the CBN beginning in 1992.

3/ Consolidated government includes the federation account; federal, state, and local governments, and special funds. The authorities in their presentation of first half 2004 outcomes (see Table 7b) have included subnational government deposit accumulation in other items net.

4/ The SM/04/194 for claims on general government (net) by banks reported N 209 billion for end-June 2004, which was incorrectly reported and should have been N 509 billion. Similarly, private sector claims was reported as N 1550 billion rather than N 1251 billion.

Table 4. Nigeria: Balance of Payments, 2001–05

	2001	2002	2003	2004		2005
			Est.	CR 04/239	Revised	Proj.
	(In millions of U.S. dollars)					
Trade balance	8,116	4,325	10,435	13,985	15,449	20,457
Exports	19,598	17,672	27,321	31,451	33,093	43,898
Oil	18,031	15,878	24,592	27,860	29,313	38,813
Gas	896	1,056	1,918	2,688	2,876	4,117
Other	671	738	811	903	903	969
Imports	-11,482	-13,347	-16,885	-17,466	-17,644	-23,442
Oil-related	-1,891	-3,941	-5,188	-3,918	-4,732	-4,782
Gas-related	-507	-538	-658	-1,382	-1,382	-1,783
Other	-9,084	-8,868	-11,039	-12,166	-11,530	-16,877
Services and incomes balance	-8,138	-10,839	-13,703	-15,164	-16,654	-18,021
Factor services balance	-4,258	-6,401	-8,400	-9,742	-10,898	-11,958
Oil-related	-2,712	-4,434	-5,856	-7,025	-8,115	-8,853
Gas-related	-193	-488	-940	-1,193	-1,259	-1,887
Non oil-related	-1,353	-1,479	-1,604	-1,524	-1,524	-1,218
Of which interest due on public debt	-1,535	-1,557	-1,619	-1,539	-1,539	-1,496
Nonfactor services balance	-3,880	-4,438	-5,303	-5,422	-5,756	-6,063
Oil-related	-1,261	-1,530	-1,978	-1,400	-1,735	-1,661
Gas-related	-213	-225	-272	-579	-579	-746
Non oil-related	-2,407	-2,683	-3,053	-3,443	-3,443	-3,656
Private transfers (net)	1,303	1,421	1,677	1,878	1,878	1,990
Official transfers (net)	-25	-22	-20	-18	-18	-16
Current account balance	1,255	-5,115	-1,611	681	654	4,410
Official capital (net)	-1,642	-1,268	-1,291	-1,476	-1,476	-1,572
Disbursements	70	106	76	111	111	168
Amortization due	-1,713	-1,373	-1,368	-1,587	-1,587	-1,740
Other capital flows (net)	2,051	2,484	3,246	3,508	4,800	4,548
Direct and portfolio investment	2,051	2,484	3,246	3,508	4,800	4,463
Oil sector	566	1,362	2,185	1,811	3,103	2,148
Gas sector	351	370	440	1,011	1,011	1,275
Non-oil sector	1,134	752	620	686	686	1,040
Private borrowing (net)	0	0	0	0	0	85
Short-term capital (net)	-648	-431	-39	350	350	0
Capital account balance	-239	785	1,916	2,382	3,674	2,976
Errors and omissions	-1,114	-173	-1,911	0	0	0
Overall balance	-98	-4,503	-1,606	3,062	4,328	7,386
Financing	98	4,503	1,606	-3,062	-4,328	-7,386
Net reserves (increase -)	-1,023	2,742	213	-5,006	-6,204	-8,822
Exceptional financing	1,121	1,761	1,393	1944	1,876	1,436
Net accumulation of arrears (decrease -)	375	1,900	1,177	1,326	1,326	1,436
Recovered funds 1/	...	...	216	618	550	...
Debt buyback (net)	...	-139	...	...	...	...
	(In percent of GDP; unless otherwise indicated)					
Memorandum items:						
Gross official reserves (in millions of U.S. dollars)	10,423	7,681	7,468	12,474	13,672	22,494
(In months of imports (GNFS))	7.6	4.9	3.8	6.1	6.6	8.6
Current account	2.6	-11.1	-2.8	1.0	0.9	5.2
Non-oil current account (in percent of non-oil GDP)	-41.3	-39.6	-42.5	-40.2	-38.0	-45.7
Primary balance	-0.6	-14.5	-5.6	-1.3	-1.3	3.4
Primary balance (in percent of non-oil GDP)	-1.1	-24.2	-10.4	-2.4	-2.5	7.1
Trade balance	17.0	9.4	18.1	20.8	22.3	24.0
Non-oil trade balance (in percent of non-oil GDP)	-31.9	-29.5	-32.9	-31.5	-29.4	-38.6
Oil and gas sector exports	39.7	36.7	46.1	45.5	46.5	50.3
Total imports	-24.1	-29.0	-29.3	-26.0	-25.5	-27.5
Stock of external debt (in millions of U.S. dollars)	29,686	30,993	32,818	32,669	32,669	32,533
Total external debt	62.3	67.2	57.0	48.7	47.2	38.1
Total external debt (in percent of exports (GNFS)) 2/	150.2	144.7	144.5	121.5	119.2	89.5
Total external debt (in percent of consolidated revenue)	147.9	186.5	156.1	108.5	115.5	85.1
Debt service due	5.2	6.4	5.2	4.7	4.5	3.8
Oil export price (U.S. dollars per barrel)	24.3	25.0	28.9	33.5	35.8	42.8
GDP (at factor cost; in millions of U.S.dollars)	46,246	44,632	56,151	65,740	67,760	83,801

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

1/ For 2003, actual recovered funds received by CBN. In 2004, anticipated funds recovered by Swiss government.

2/ Three-year moving average of exports.

Table 5. Nigeria - Oil and Gas Sector Overview, 2002-05

	2002	2003	2004		2005
			CR 04/239	Proj.	Proj.
Physical balances					
	(in millions of barrels per day, unless otherwise indicated)				
Crude oil					
Oil price (in U.S. dollars per barrel)	25.0	28.9	33.50	35.8	42.8
Production of crude oil	1.96	2.45	2.50	2.46	2.71
Crude	1.83	2.30	2.37	2.39	2.62
Condensates	0.13	0.15	0.13	0.07	0.09
Domestic allocation to NNPC	0.44	0.43	0.44	0.44	0.44
Domestic refining	0.22	0.12	0.22	0.22	0.22
Exports of crude oil	1.74	2.33	2.28	2.24	2.49
Of which exports out of domestic allocation	0.23	0.31	0.22	0.22	0.22
OPEC quota	1.79	2.01	2.02	2.02	2.06
	(in billions of cubic feet, unless otherwise indicated)				
Natural gas					
Total production	1,772	1,819	2,039	2,007	2,205
For Nigeria Liquefied Natural Gas (NLNG)	279	438	530	530	636
For natural gas liquids production (NGL)	104	104	104	104	214
Other	248	255	286	281	309
Reinjection	273	257	263	259	284
Flaring	667	864	857	833	762
Gas sales (LNG and NGL feed; in millions of barrels per day oil equivalent)	0.19	0.26	0.31	0.31	0.41
Flaring (in percent of total gas produced)	37.6	47.5	42.0	41.5	34.6
Financial Balances					
	(in millions of U.S. dollars, unless otherwise indicated)				
National accounts and balance of payments					
Crude oil					
Production of crude oil (including condensates)	17,853	25,903	30,665	32,226	42,282
Exports	15,878	24,611	27,951	29,348	38,813
Export of federation crude	4,163	7,302	10,517	10,096	13,064
Foreign partner exports	7,677	11,124	14,711	15,489	20,295
Domestic use	1,974	1,279	2,701	2,863	3,469
Recurrent costs	2,862	3,492	3,097	3,097	3,723
Investment	3,870	5,326	3,637	4,929	4,488
Foreign direct investment	1,362	2,185	1,811	3,103	2,148
Profit remittances 1/	4,434	5,856	7,025	8,115	8,853
Gas					
Gas sales	575	558	659	696	1,308
NGL 2/	362	221	256	293	825
NLNG 3/	213	337	403	403	483
Recurrent costs	153	217	254	254	340
Investment	726	863	1,983	1,983	2,500
Foreign direct investment	370	440	1,011	1,011	1,275
Profit remittances 4/	488	940	1,193	1,259	1,887
Oil and gas GDP (percentage change)	-11.6	26.6	3.3	1.9	12.8
Production of crude oil (percentage change)	-13.3	25.1	1.9	0.3	10.2
Gas sales (LNG and NGL feed; percentage change)	10.5	41.4	17.0	17.0	33.9
Government revenue					
Oil					
Export of federation crude	4,163	7,302	10,517	10,096	13,064
PPT	1,852	3,369	5,204	4,877	7,851
Royalties, incl. rent	1,391	1,899	2,482	2,497	3,591
Domestic crude & tax on petroleum products	2,381	2,813	5,456	5,463	6,775
Miscellaneous oil revenue (pipeline fees)	172	254	259	255	280
Gas					
NGL	177	108	126	192	404
LNG feed gas	105	165	209	209	251
Flaring 5/	33	37	61	62	55
Government share of costs	3,088	3,500	3,200	3,200	4,230
Net oil and gas revenue	7,186	12,448	21,114	20,451	28,041

Sources: Nigerian authorities; and Fund staff estimates.

1/ Calculated as foreign partner exports minus PPT and royalties minus foreign partner share of operating costs.

2/ NNPC data for 2002-03. Projection calculated as NGL export revenue minus operating and capital cost (netback value for feed gas).

3/ NNPC data for 2002-03. Projection assumes price of US$0.68 per cubic feet of feed gas.

4/ Calculated as foreign partner share of dividends for LNG; foreign partner share in feed gas delivery for NGL.

5/ NNPC data for 2002-03. Projection calculated as residual and assuming a price of N10 per cubic feet.

Table 6: Nigeria: Quarterly Federal Government Budget (Cash Basis), Authorities' Program, 2004

	H1		Q3		Q4		H2		Year	
	Auth. initial progr.	Est.	Auth. initial progr.	Auth. rev. prog	Auth. initial progr.	Auth. rev. prog	Auth. initial progr.	Auth. rev. prog	Auth. initial progr.	Auth. rev. prog
Oil price (in U.S. dollars per barrel)	...	...	...	...	...	...	...	...	33.5	35.8
					(In billions of naria)					
Total revenue 1/	726	657	422	369	441	396	863	764	1,589	1,422
Petroleum revenue	591	540	317	279	317	296	634	575	1,225	1,115
Nonpetroleum revenue	135	117	105	90	124	100	229	189	364	306
Import and excise duties	49	50	28	23	29	22	57	45	106	95
Companies' income tax	29	28	20	17	20	17	40	34	69	62
Value-added tax	10	11	6	6	7	6	13	12	23	23
Federal government independent revenue	22	4	40	31	56	45	96	76	118	80
Customs levies	15	20	8	9	8	6	15	16	30	35
Education tax	9	4	5	3	5	4	9	7	18	12
Total expenditure	606	518	353	309	285	329	638	638	1,245	1,156
Recurrent expenditure	441	424	221	221	218	216	438	436	880	860
Personnel and pension	219	219	109	110	110	112	219	222	438	441
Overhead cost	51	53	25	27	25	23	51	50	102	103
Interest payments	126	106	63	57	60	62	123	119	248	225
Domestic	99	84	47	50	44	45	90	95	189	179
External, cash	26	22	16	7	16	17	32	24	59	46
Transfers 2/	46	45	23	27	23	19	46	46	92	91
Capital expenditure	165	94	133	88	67	114	200	202	365	295
Domestic	157	86	129	84	63	110	192	194	350	280
External	8	7	4	4	4	4	8	8	15	15
Overall balance (cash basis)	119	140	69	60	156	66	225	126	344	266
Financing	-228	-331	-69	-60	-156	-66	-225	-126	-453	-458
External	-43	-35	-28	-46	-40	-38	-69	-85	-112	-120
Borrowing	8	7	4	4	4	4	8	8	15	15
Amortization, cash	-51	-43	-32	-50	-44	-42	-76	-93	-127	-135
Domestic financing	-185	-303	-125	-14	-116	-95	-241	-108	-426	-412
Central bank (net)	-393	-427	-117	-53	-117	-63	-235	-116	-628	-544
Of which excess oil proceeds	-187	-113	-117	-53	-117	-63	-235	-116	-422	-230
Commercial banks (net)	208	124	-8	39	2	-31	-6	8	201	132
Privatization proceeds	0	0	0	0	0	0	0	0	0	0
Recovered funds	0	7	85	0	0	67	85	67	85	74
Statistical discrepancy	-109	-192	0	0	0	0	0	0	-109	-192
Memorandum items:										
Non-oil primary balance	-346	-295	-185	-162	-101	-168	-287	-330	-633	-624
Budgetary revenue	702	633	410	356	429	386	839	742	1,541	1,375
Balance on the budget (BOF definition, debt service above the line)	76	104	40	14	116	28	156	41	232	146
					(In percent of GDP unless otherwise indicated)					
Total revenue	...	...	...	...	...	...	...	...	17.2	15.3
Petroleum revenue	...	...	...	...	...	...	...	...	13.3	12.0
Nonpetroleum revenue	...	...	...	...	...	...	...	...	3.9	3.3
Import and excise duties	...	...	...	...	...	...	...	...	1.1	1.0
Companies income tax	...	...	...	...	...	...	...	...	0.7	0.7
Value-added tax	...	...	...	...	...	...	...	...	0.3	0.2
Federal government independent revenue	...	...	...	...	...	...	...	...	1.3	0.9
Total expenditure	...	...	...	...	...	...	...	...	13.5	12.4
Recurrent expenditure	...	...	...	...	...	...	...	...	9.5	9.3
Goods and services	...	...	...	...	...	...	...	...	5.8	5.9
Interest payments	...	...	...	...	...	...	...	...	2.7	2.4
Transfers 2/	...	...	...	...	...	...	...	...	1.0	1.0
Capital expenditure	...	...	...	...	...	...	...	...	4.0	3.2
Overall balance (cash basis)	...	...	...	...	...	...	...	...	3.7	2.9
Financing	...	...	...	...	...	...	...	...	-4.9	-4.9
External	...	...	...	...	...	...	...	...	-1.2	-1.3
Domestic financing	...	...	...	...	...	...	...	...	-4.6	-4.4
Central bank (net)	...	...	...	...	...	...	...	...	-6.8	-5.8
Commercial banks (net)	...	...	...	...	...	...	...	...	2.2	1.4
Recovered funds	...	...	...	...	...	...	...	...	0.9	0.8
Statistical discrepancy	...	...	...	...	...	...	...	...	-1.2	-2.1
Memorandum items:										
Non-oil primary balance (in percent of non-oil GDP)	...	...	...	...	...	...	...	...	-12.9	-12.9
Budgetary revenue	...	...	...	...	...	...	...	...	16.7	14.8
Balance on the budget (BOF definition)	...	...	...	...	...	...	...	...	2.5	1.6
Nominal GDP (in billions of naira)	...	...	...	...	...	...	...	...	9,309	9,297
Nominal non-oil GDP (in billions of naira)	...	...	...	...	...	...	...	...	4,856	4,843

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

1/ Oil revenue net of cash call payments.

2/ Excluding transfer to the NNPC for cash call payments.

Table 7a. Nigeria: Central Bank of Nigeria's 2004 Program: Monetary Authorities Balance Sheet, 2003-04 1/

(In billions of naira, unless otherwise indicated)

	2003	2004						
	Dec.	Mar.	Jun		Sept.		Dec
		Est.	Auth.initial program	Est.	Auth.initial program	Auth. Rev. Prog	Auth.initial program
Net foreign assets	1,059.1	1,259.3	1,293.7	1,517.2	1,459.6	1,547.7	1,607.8
Foreign assets	1,065.1	1,347.9	1,382.3	1,573.2	1,548.2	1,631.6	1,696.4
Foreign liabilities	-6.0	-88.6	-88.6	-56.0	-88.6	-83.9	-88.6
Net domestic assets	-370.4	-624.3	-663.9	-862.7	-746.9	-834.2	-862.5
Domestic credit	42.8	-11.3	-318.5	-104.7	-483.1	-293.3	-593.7
Government (net) 2/	254.2	-23	-212.2	-99.2	-329.3	-281.1	-446.7
Claims on deposit money banks	15.6	94.0	30.0	94.0	30.0	96.6	30.0
Other Net Claims	-226.9	-87.2	-136.3	-99.5	-183.9	-108.8	-177.1
Claims on state and local governments (net) 2/	0.0	0.0	-46.8	0.0	-94.4	0.0	-111.6
Claims on non-financial private sector (net)	1.7	1.7	0.0	1.6	0.0	0.0	0.0
Claims on other financial institutions (net)	6.8	11.3	11.1	11.2	11.1	0.0	11.1
Claims on non-financial public enterprises (net)	-235.4	-100.1	-100.6	-112.3	-100.6	-108.8	-76.6
Other items net	-413.2	-613.0	-345.5	-758.0	-263.8	-540.9	-268.8
Reserve money	688.7	635.0	629.7	654.5	712.7	713.5	745.3
Currency in circulation	502.3	466.5	452.9	456.3	458.8	458.8	512.9
Bank deposits with CBN	186.4	168.5	176.8	198.2	254.0	254.7	232.4
Memorandum items:							
Reserve Money							
12-month rate	16.4	2.9	2.9	0.2	12.6	12.7	8.2
Month-on-month percent change	4.3	0.5	-1.7	3.3	1.2	8.6	3.5
Percent change since end-2003	...	-7.8	-8.6	-5.0	3.5	3.6	8.2
Gross reserves (in millions of U.S. dollars, BAPLA)	7,468	9,643	10,164	11,400	11,384	12,280	12,474

Source: Nigerian authorities' figures and projections.

1/ Consistent with the baseline assumption that the federal government and 12 out of 36 states save the oil revenue windfall in the second half of 2004 and that all states and the Federal government save the first half windfall.

2/ The authorities presented in SM/04/194 in Table 8a their monetary program seperating subnational excess oil proceeds and extrabudgetary funds from federal government deposits starting in the second quarter . However, in their revised monetary program, the CBN includes subnational and extrabudgetary funds excess oil proceeds and accounts as part of other liabilities and hence other items net.

Table 7b. Nigeria: Central Bank of Nigeria's 2004 Revised Monetary Program: Monetary Survey, 2003-2004 1/

(In billions of naria, end of period, unless otherwise stated)

	2003	2004						
	Dec.	Mar.	Jun.		Sep.		Dec.	
			Auth.initial program	Auth. Rev. Prog	Auth.initial program	Auth. Rev. Prog	Auth.initial program	Auth. Rev. Prog
1.Domestic Credit (net)	1,765	1,755	1,561	1,717	1,642	1,571	1,599	1,448
(a) Claims on Federal Government (net) 2/	553	434	295	323	175	141	53	-30
By Central Bank	254	-23	-212	-99	-329	-281	-447	-453
By Banks (FGN)	298	457	507	422	504	422	500	422
(b).Claims on Private Sector 3/	1,212	1,321	1,266	1,394	1467	1430	1546	1479
By Central Bank	9	13	11	14	11	10	11	11
By Banks	1,203	1,308	1,255	1,380	1456	1420	1535	1468
(2) Foreign Assets (net)	1476	1677	1712	1937	1878	1967	2026	2152
By Central Bank 2/	1059	1259	1294	1517	1460	1548	1608	1733
Foreign Assets	1065	1348	1382	1573	1549	1632	1696	1817
Short term Liabilities	6	89	-89	-56	-89	-84	-89	-84
By Banks	417	418	418	419	418	419	418	419
(3) Other Assets (net)	-1255	-1325	-1145	-1540	-1335	-1335	-1322	-1297
Total Monetary Assets	1985	2106	2127	2113	2185	2204	2303	2303
Quasi-Money	760	920	837	898	867	855	908	895
Narrow Money	1,226	1,202	1,291	1215	1,318	1,348	1,395	1,409
Currency Outside Banks	412	384	396	373	383	373	419	433
Demand Deposits	813	817	895	842	935	975	976	976
Memoramdum items								
		Growth rate over preceeding December (in percent)						
Credit to the Domestic Economy (net)		-0.6	-11.5	-2.7	-6.9	-10.9	-9.4	-17.9
Claims on General Government (net)		-21.5	-46.7	-41.5	-68.3	-74.4	-90.4	-105.5
By Central Bank		-109.1	-183.5	-139.0	-229.6	-210.6	-275.9	-278.1
By Deposit Money Banks		53.0	69.9	41.5	68.9	41.5	67.5	41.5
Credit to the Private Sector		9.0	4.5	15.0	21.0	18.0	27.6	22.0
Foreign Assets (net)		13.7	16.0	31.2	27.2	33.3	37.3	45.8
Other Assets (net)		-4.5	8.8	-21.6	-6.4	-6.4	-5.3	-3.3
Broad Money (M2)		6.1	7.1	7.2	10.1	11.0	16.0	16.0
Quasi-Money		21.1	10.2	20.1	14.1	12.6	19.5	17.8
Money Supply (M1)		-2.0	5.3	-0.9	7.5	10.0	13.8	15.0

Source: The Nigerian authorities' figures and projections

1/ This scenario assumes that the Federal government and 12 out of 36 states save the oil revenue windfall in the second half of 2004, but that all tiers of government save the first half windfall.

2/ The CBN and the staff's presentation of the CBN balance sheet and monetary survey differ in a number of ways. Staff shows net claims of the of both the federal government and subnational governments consistent with the fiscal presentation of the government. The CBN includes deposits of the subnational governments in narrow and quasi money and only shows gross claims of the subnational governments in the monetary survey. In the CBN's own balance sheet, deposits of subnational governments and extrabudgetary funds are included in other items net (other liabilities). This differs with their presentation of their program in SM/04/194, where the CBN showed the subnational government deposits with the CBN as part of the consolidated (general) government and hence makes it difficult to compare the figures.

3/ Includes claims on subnational governments.

Nigeria: Relations with the Fund
(As of August 31, 2004)

I. **Membership Status:** Joined: 03/30/1961; Article XIV

II. **General Resources Account:**	**SDR Million**	**%Quota**
Quota	1,753.20	100.00
Fund Holdings of Currency	1,753.12	100.00
Reserve position in the Fund	0.14	0.01

III. **SDR Department:**	**SDR Million**	**%Allocation**
Net cumulative allocation	157.16	100.00
Holdings	0.05	0.03

IV. **Outstanding Purchases and Loans:** None

V. **Latest Financial Arrangements**:

Type	Approval Date	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
Stand-by	Aug. 04, 2000	Oct. 31, 2001	788.94	0.00
Stand-by	Jan. 09, 1991	Apr. 08, 1992	319.00	0.00
Stand-by	Feb. 03, 1989	Apr. 30, 1990	475.00	0.00

VI. **Projected Obligations to Fund**:(SDR Million; based on existing use of resources and present holdings of SDRs):

		Forthcoming			
	2004	2005	2006	2007	2008
Principal					
Charges/Interest	0.77	3.08	3.08	3.08	3.08
Total	0.77	3.08	3.08	3.08	3.08

VII. **Exchange Rate Arrangement**:

Nigeria's current exchange rate arrangement is classified in the Fund's Annual Report on Exchange Arrangements and Exchange Restrictions as a managed float with no preannounced target for the exchange rate of the naira. The inter-bank foreign exchange market is segmented into two sub-markets. The Central Bank of Nigeria (CBN) sells foreign exchange to legitimate end-users through banks that bid , with requests having to be supported by the required documentation. The open Nigerian inter-bank market (NIFEX) is the market for foreign exchange obtained from other sources than the CBN, including non-oil exports and personal transfers, and the NIFEX rate is freely negotiable among commercial banks as well as among customers. On February 20, 2001, the CBN issued a circular which forbid banks from transferring funds obtained from the CBN to other banks through the NIFEX, effectively segmenting the two markets. On July 22, 2002, the authorities adopted the Dutch Auction System (DAS) for selling official foreign exchange to end-users. The DAS is a sealed bid multiple price auction system with the marginal rate being the rate that clears the market. Auctions take place twice a week and the CBN announces the amount on offer the day before the auction and the auction results the day after. Funds purchased from the CBN shall be used for eligible transactions only, subject to stipulated documentation requirements. Such funds are not transferable in the inter-bank foreign exchange market.

Currently, there are four exchange rates: the DAS auction rate, the NIFEX rate quoted by a group of commercial banks, the *Bureaux de change* rate, and the parallel market rate.

The following exchange rates were quoted on October 1, 2004:

IFEM/DAS	N = US$133.4.
NIFEX	N = US$134.3.
Bureaux de change/parallel market	N = US$139.5.

The exchange rate for the SDR on October 1, 2004 was N176.6 = SDR 1.

VIII. **Article IV Consultation**

Nigeria is on the standard 12-month Article IV consultation cycle. The last Article IV consultation discussions were held in Lagos and Abuja during the period February 23-March 8 and May 12-19, 2004. The staff report (IMF Country Report No. 03/3) was discussed by the Executive Board and the consultation concluded on July 16, 2004.

IX. **Technical Assistance (TA) Since 2000**:

Department	**Purpose of TA mission**	**Duration**
FAD	Fiscal regime for oil and gas	February 8–26, 2000
STA	Balance of payments statistics	November 8–21, 2000
FAD	Resident treasury advisor	November. 25, 2000–Feb. 25–2001 and April 8–July 7, 2001
FAD	Resident budget advisor	January 11–March 11, 2001
FAD	Fiscal federalism	January 24–Feb. 11, 2001
STA	Government finance statistics	January 21–Feb. 3, 2001
FAD	Expenditure Management	February 2–10, 2001
STA	Money and banking statistics	March 22–April 4, 2001
MAE	Foreign exchange management	May 28–June 8, 2001
FAD	Resident budget advisor	October 2000 – Dec. 2001
MAE	FSAP	Dec. 5 – Dec. 15, 2001
MAE	FSAP	Feb. 4 – Feb. 20, 2002
FAD	Public Expenditure Management	January 29 – February 8
STA	Government Finance Statistics	Feb. 28 – March 13, 2002
FAD	Resident budget advisor	Apr. 19 2002– June, 2003
MFD	Domestic Debt Management	February 25-March 5, 2003
STA	General Data Dissemination Standards	July 2-15, 2003

FAD	Budget Process Reforms	August 20-29, 2003
FAD	Pension Reform	October 20-29, 2003
FAD	Public Expenditure Management Advisor	January–December 2004
MFD	Domestic Debt Management	February 5–17, 2004
LEG	FIU Creation and Organization	May 31–June 04, 2004
LEG	Legislative Drafting/FIU	July 12–16, 2004
STA	Regional Course on National Accounts and Balance of Payments Statistics	July 25–August 6,2004
FAD	Tax Administration	July 19–August 3, 2004
MFD	Financial Sector Reform	August 10–17,2004
MFD	Monetary Operations/Foreign Exchange	August 26–September 10, 2004

X. **Resident Representative**:

Mr. Idrissa Thiam has entered on duty as Senior Resident Representative in Abuja on December 20, 2003.

Nigeria: Relations with the World Bank Group

World Bank Strategy of Assistance to Nigeria

1. The Joint Interim Strategy, endorsed by the Board in 2001, has been guiding the Bank assistance to Nigeria. The strategy is articulated around three main pillars: (i) improving economic governance; (ii) promoting accelerated private sector led growth, particularly in the non-oil economy and (iii) empowering communities to take an active role in their own development.

2. A Second Interim Strategy Progress Report was discussed by the Board on June 15, 2004. The Board endorsed the expanded World Bank engagement in Nigeria and in particular, a move from the low case lending envelope of $200 million annually to the base case of $500 million on average per annum.

3. The Bank's assistance will continue to be developed based on the three pillars, while non-lending support will focus on areas such as public expenditure management, anti-corruption, health, education, and delivery of basic services. A full results oriented Country Assistance Strategy (CAS) will be developed this fiscal year (FY05) based on and in support of the Government's National Economic Empowerment and Development Strategy (NEEDS). The CAS is being prepared in a participatory manner with government, and the involvement of development partners and stakeholders.

World Bank-IMF relations

4. The IMF and World Bank staffs maintain a close collaborative relationship on Nigeria. Both institutions are coordinating their policy advice to the government in several different areas through collaboration on analytical work, and through joint technical assistance missions. The Bank staff is regularly invited to join IMF macroeconomic missions, and both are members of a multi-donor thematic group on economic governance that seeks to coordinate donor advice and work in this area.

5. In September 2003, at the request of the Nigerian government, the Bank and the IMF carried out a joint technical assistance mission for the Budget Office. A similar joint mission to advice government on the proposed Pension Reform Bill was carried out in November 2003. Support to the preparation of the NEEDS is also another area of close collaboration between the two institutions.

6. Under the erstwhile Stand-By Arrangement, the IMF took the lead in the area of macroeconomic stability with the dialogue on structural measures, coordinated with the World Bank. In the absence of a successor IMF-supported program, a detailed matrix stipulating areas where each institution will take the lead in supporting key structural measures, including several areas of joint responsibility such as fiscal transparency, fiscal federalism, budget procedures and institutions, and public debt management, has not been agreed.

Lending activities

7. The World Bank's Nigeria portfolio consists of fifteen credits, totaling about $1.2 billion. Operations cover activities in Health (20 percent), Education (12.7 percent), Private Sector Development (11.9 percent), Urban Development (9 percent), Rural Sector (13.8 percent); Transport (8 percent) Energy & Mining (8 percent) Social Development/Social Protection (4.9 percent), Economic Policy (1.6 percent), and Water Supply & Sanitation (9.8 percent).

8. Two credits in the portfolio (the Economic Management and Capacity Building Project and the Privatization Support Project) are focused on economic management and on support for the government's privatization effort. An operation to support a first phase of the Federal Government's Economic Reform and Governance Program is expected to be ready for Board approval in December 2004. A States Governance and Capacity Building Project which will focus on building economic management capacity and on civil service reform at the state level, is expected to be ready for approval also in early FY05.

9. **The Economic Management and Capacity Building Project** (US$20 million in IDA financing, and cofinancing of US$19.6 million from the U.S. Agency for International Development, the U.K. Department for International Development, the European Union, and Japan) was approved on May 11, 2000. It supports the strengthening of key aspects of economic management, including economic and poverty statistics, public expenditure management, public procurement, and external audit and oversight of federal government fiscal operations—including by the legislature—and legal and judicial reform. Under this project, value-for-money audits of selected items of federal government spending (both recurrent and capital) and a corruption survey have been carried out. Other key activities that are being supported include the revision of the 1958 Finance (Management and Control) Act, implementation of procurement reforms, installation of an integrated Financial and Economic Management Information System, and construction of a global distance-learning center.

10. For the **Privatization Support Operation**, the World Bank Board approved the $114.29 million equivalent of IDA credit on June 14, 2001. The aim of this project is to strengthen the overall institutional and policy framework for public enterprise divestiture and improve the institutional capacity of the Bureau of Public Enterprises, the agency responsible for privatization. The project also provides financing for advisory services for privatization of the power sector (the Nigerian Electric Power Authority) and the telecommunications sector (divestiture of the national telecommunications companies, NITEL and M-Tel). In addition, the project supports the divestiture of Lagos State Water through concessioning (an IFC mandate) and rehabilitation of the water supply system in Lagos. A mid-term review of the project that took place from March 26-April 6, 2004 agreed on details of reallocation of resources and monitoring of results, which will enable a more focused and efficient project implementation.

Nonlending Activities

11. The World Bank has placed increased emphasis on its non-lending activities. Work in this area has focused on public expenditure management—through public expenditure reviews at both federal and state levels, a report on state finances, and a report on the states' governance and capacity. Other elements of this work include collaboration with the Debt Management Office on Management of Sub-national Debt; a report on managing volatility; a pilot survey of service delivery in basic health in Lagos and Kogi States; a private sector assessment; a rural sector strategy; and a report on the linkages between environment and poverty. Bank staff worked closely with various policy groups, within and outside government on outlining key reform and development priorities and actions. An Education Sector Status Report was completed in FY03 and is Risk and Vulnerability Assessment is to be completed in FY04. Work is ongoing on a study on Oil Revenues Management including a workshop in February 2004—in collaboration with the IMF—to bring together various Nigerian stakeholders as well as external experts on this issue. A study on the micro foundations of competitiveness in specific industries is also in process.

International Finance Corporation (IFC) Activities

12. Nigeria is IFC's largest country portfolio in Africa with US$289 million committed with activities in various sectors including finance and insurance; oil, gas and mining; private equity funds. IFC continues to encourage and support Small and Medium Enterprises (SMEs), and invests in private sector development, including the banking industry and infrastructure.

13. IFC also seeks to promote projects that will assist Nigeria in diversifying its economy from the oil sector and removing bottlenecks faced by the non-oil private sector. IFC activities include:

14. *Small and Medium Enterprises (SMEs)*: IFC provides a broad range of financing and technical support to small businesses in Nigeria. Jointly with UNIDO, support was provided to NGOs (the FATE Foundation and the Onitsha/Nnewi/Aba Cluster program) through the Support Training Entrepreneurship Program (STEP), which provides business development services to micro enterprises. Other initiatives include a financing and capacity-building facility for small-scale oil service companies in the Niger Delta region. A comprehensive program with support from the World Bank is also being designed to provide additional support for small business access to finance, business development services and for help in improving the SME business environment.

15. *Telecommunications Sector*: In FY02 IFC approved an investment of $100 million for MTN Nigeria, a large mobile telecommunication company, for the expansion of its nationwide GSM (Global System for Mobile Communications) cellular telecommunications network in Nigeria, and by February 2006, the company expects to have well in excess of 15,000,000 subscribers in accordance with its license requirements. IFC is playing role of fostering competition, supporting private sector development, and improve the telecommunications market and services.

16. *Financial Sector*: Since scaling up of IFC operations began in 1999–2000, IFC has worked with seven commercial banks, extending term facilities totaling over $160 million. With no long-term funding options available in Nigeria, banks have used the IFC credits to offer medium-term financing to a range of clients in expanding their businesses. IFC is expanding this relationship with leading banks to support more small business financing options, and also to build the nascent corporate bond market.

World Bank Institute activities (WBI)

17. Nigeria is one of the WBI's six focus countries in Africa. The number of Nigerian participants in WBI programs has significantly increased in the last two years (from 280 participants in FY01, to 1,600 in FY04). The sharp increase in the number of participants was due to the increased use of Distance Learning as a delivery mode and the larger number of events held locally. The professional groups and communities of practice that took the fullest advantage of WBI programs were public expenditure managers, individuals involved in social protection/social risk management programs, parliamentarians, and journalists. This concentration of efforts is in line with the World Bank's strategy to help Nigeria manage its public resources and help strengthen the voice of the poor at the community level. However, irrespective of the well-targeted WBI assistance, it is unlikely to make a lasting impact on capacity, if the Institute does not adequately leverage its efforts with those of the Africa Region and other development partners. For this reason, the Institute is taking steps to increase its involvement in the context of the WBI *Country Program Brief* endorsed by the Nigeria Country Team. Thematically, in coming years, the WBI program will be more focused on developing the capacity of members of the civil society working to make their voices heard and forge a national consensus. For this reason, the Institute is carrying out a major effort to identify capacity building needs at the community level through the Capacity Enhancement Needs Assessment (*CENA*) methodology. The pursuit of the World Bank's strategic objectives has also led to a better integration of WBI staff into the Nigeria Country Team and IDA project teams.

Multilateral Investment Guarantee Agency (MIGA)

18. MIGA's gross exposure in Nigeria is $112.8 million and net exposure is $90.9 million. There are seven contracts issued for investors in Nigeria (two contracts in the services sector and five contracts in the infrastructure sector).

Nigeria: IDA Credits in the Operations Portfolio

(As of October 7, 2004)

Closed Projects: 98

Active Projects			**Original Amount in US$ mil**		**Difference Between Expected and Actual Disbursements a/**	
Project ID	**Project Name**	**Fiscal Year**	**Approved IDA Amount**	**Undisbursed**	**Orig.**	**Frm Rev'd**
P070290	2nd Health Systems Dev.	2002	127.00	134.2	54.47	3.59
P066571	2nd Primary Education	2000	55.00	14.0	11.35	11.35
P069086	Com.-Based Pov. Reduction	2001	60.00	42.9	15.92	10.42
P069901	Community Based Urban Dev.	2002	110.00	123.8	55.26	29.31
P065301	Economic Mgt Capacity Building	2000	20.00	6.3	-2.08	
P070291	HIV/AIDS Program Dev.	2002	90.30	90.4	39.91	
P083082	Micro, Small & Med. Enterprise	2004	32.00	32.6	2.70	
P074963	Lagos Urban Transport Project	2003	100.00	99.7	24.07	14.88
P069892	Local Empowerment & Envir. Mgmt.	2004	70.00	75.4	4.74	0.40
P070293	Privatization Support	2001	114.29	105.1	51.49	
P063622	Fadama II	2004	100.00	95.8	6.81	
P072018	Transmission Development	2002	100.00	94.8	65.83	39.58
P080295	Polio Eradication	2003	28.70	1.3	10.71	
P071494	Universal Basic Ed.	2003	101.00	110.4	69.67	
P071075	Urban Water Sector Reform	2004	120.00	120.8	6.36	
Overall Result			**1228.29**	**1155.21**	**418.55**	**109.45**

IBRD/IDA *	**US$ mil**
Total Disbursed (Active)	199.94
of which has been repaid	0.00
Total Disbursed (Closed)	6,032.82
of which has been repaid	5,244.30
Total Disbursed (Active + Closed)	6,232.75
of which has been repaid	5,244.30
Total Undisbursed (Active)	1,147.46
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Closed)	1,147.46

Note: Undisbursed amount may be higher than Approved amount due to exchange rate vis-à-vis SDR.

a/ Intended disbursements to-date minus actual disbursements to-date as projected at appraisal
* Disbursement data is updated at the end of the first week of the month.

International Finance Corporation

Nigeria - Statement of IFC's Held and Disbursed Portfolio

Amounts in US Dollar Millions

As of August 31, 2004

		Held				Disbursed			
FY Approval	Company	Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
1998	AEF Ansbby	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0
1999	AEF Global Fabri	0.3	0.0	0.0	0.0	0.3	0.0	0.0	0.0
1999	AEF Hercules	1.3	0.0	0.0	0.0	1.3	0.0	0.0	0.0
1999	AEF Hygeia	0.0	0.2	0.0	0.0	0.0	0.2	0.0	0.0
2000	AEF Oha Motors	0.8	0.0	0.0	0.0	0.8	0.0	0.0	0.0
1997	AEF Radmed	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2000	AEF Safety Center	0.5	0.1	0.0	0.0	0.5	0.1	0.0	0.0
1997	AEF Telipoint	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0
1995	AEF Vinfesen	1.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0
1994	Abuja International	1.8	0.7	0.0	0.0	1.8	0.7	0.0	0.0
2003	Adamac	25.0	0.0	0.0	15.0	11.6	0.0	0.0	6.9
2000	CAPE FUND	0.0	7.5	0.0	0.0	0.0	5.4	0.0	0.0
2000	Citibank (Nig)	6.4	0.0	0.0	0.0	6.4	0.0	0.0	0.0
2001	Delta Contractor	15.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0
2000	Diamond Bank	10.0	0.0	0.0	0.0	10.0	0.0	0.0	0.0
2000	FSB	9.5	0.0	11.3	0.0	9.5	0.0	6.8	0.0
1992	FSDH	0.0	0.9	0.0	0.0	0.0	0.9	0.0	0.0
2000/04	GTB	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2000	IBTC	20.0	0.0	0.0	0.0	20.0	0.0	0.0	0.0
1981/88	Ikeja Hotel	0.0	0.3	0.0	0.0	0.0	0.3	0.0	0.0
2002	NTEF	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2001	UBA	0.0	0.0	10.0	0.0	0.0	0.0	0.0	0.0
2004	UPDC Hotels Ltd	11.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total Portfolio:	**142.8**	**9.6**	**21.3**	**15.0**	**63.6**	**7.5**	**6.8**	**6.9**

Approval Pending Effectiveness

		Loan	Equity	Quasi	Partic.
2005	Zenith Bank	30.0	6.0	4.0	0.0
	Total Pending Commitment:	**30.0**	**6.0**	**4.0**	**0.0**

Nigeria: IDA Lending Summary FY04-FY07

As of Date: October 7, 2004

Fiscal year	*Project ID*	*US$(M)*	*Strategic Rewards b (H/M/L)*	*Implementation b Risks (H/M/L)*
2005	Economic Reform and Governance	100.0	H	H
	Urban Youth Employment & Empowerment	300.0	H	H
	Niger-Delta Development	25.0	H	H
	State Governance and Capacity Building	100.0	H	H
	Supplemental Polio Eradication	22.0	H	M
	Sustainable Management Mineral Resources	120.0	M	M
	Result	**667.0**		
2006	Adult Civic Education & Empowerment	27.0	H	M
	Lagos Metropolitan Dev Private	60.0	H	H
	Lagos Water Sector Restructuring	100.0	M	M
	Rural Access & Mobility	100.0	H	H
	Private Provision of Rural Infrastructure	70.0	H	M
	National Electricity Development	200.0	H	H
	Result	**557.0**		
2007	Health Systems III	100.0	H	M
	Fadama III	30.0	H	H
	Community –based Poverty Reduction II	0.2	H	M
	Federal Roads Development	100.0	H	H
	Universal Basic Education II	100.0	H	M
	Result	**330.2**		
Overall Result		**1,554.2**		

Nigeria: Summary of Non-lending Services

(As of August 24, 2004)

Product	***Completion Fiscal Year (FY)***
Recent completions	
Social Risk Assessment	FY02
Private Sector Assessment	FY02
States Public Finances Study	FY03
Environment/Poverty	FY03
Strategic Conflict Assessment	FY03
Service Delivery Survey	FY04
Macro & Growth	FY04
Education CSR	FY04
Lagos SPAR	FY04
Lagos CFAR	FY04
Pensions Reform Dialogue	FY04
Risk and Vulnerability	FY04
Anticorruption	FY04
Country Portfolio Performance Review (CPPR)	FY04
Sub-national Debt Management	FY04
Power Sector Policy	FY04
EFA Preparation Support Strategy	FY04
Underway	
Country Gender Assessment	FY05
Basic Agricultural Services	FY05
Oil Revenues Management	FY05
Health CSR	FY05
Lagos Strategy for Eco. Dev & Poverty Reduction	FY05
PFMU Support	FY05
Country Portfolio Performance Review (CPPR)	FY05
CEM on Diversification, Sources of Growth	FY05
Debt Management	FY05
Telecom TA	FY05
Planned	
Poverty Assessment	FY05/06
Agriculture Sector Review	FY06
EITI Management/Gas and Oil Sector Policy	FY05/06/07
Communications and Outreach	FY05/06/07

Authorities' Core Economic Reform Program—Preliminary Matrix of Measures
Section 1: Macroeconomic Stability

Reform Component	Objective	Specific Measures and Targets	Implementation Timing	Expected Impact	Accountable Agency/ Individual	Status as at end September 2004
(A) Maintain Macro Economic Stability	Provide a conducive economic environment for growth and development	Prepare National Economic Empowerment and Development Strategy (NEEDS)	End January 2004	Articulated poverty reduction, wealth and jobs creation national strategy for the medium term	NPC (Economic. Adviser and Team)	NEEDS document finalized and launched—May 29 2004
		5 percent per annum GDP growth 7-8 percent per annum non-oil GDP growth*	End-2004 with quarterly monitoring and reporting by FOS	Hold poverty in check by creating jobs		On target for 5 percent GDP growth in 2004
		6 percent per annum GDP growth contingent upon implementation of Reform Program. 8-9 percent per annum non-oil GDP growth	2005, 2006	Reduce poverty level		
		Fairly stable market determined exchange rates through Dutch foreign exchange auction and other measures	Continuous	Predictability for businesses and households		Dutch Auction System expected to continue for foreseeable future.
		Ensure inflation not greater than 11 percent	1st Quarter of 2004 and thereafter			Average inflation of 19.4 percent as a result of lags from lost year. But point to point inflation decreasing e.g. 14.1 percent in June, 10.9 percent in July.
		Foreign exchange reserves at 9 months of imports and maintained*	End 2004			Foreign exchange reserves US$12.4 billion (9 months imports).

* There are new measures and targets that were added since the publication of the structural matrix in the 2004 Article IV Consultation report (IMF Country Paper 04/239).

Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 1: Macroeconomic Stability

Reform Component	Objective	Specific Measures and Targets	Implementation Timing	Expected Impact	Accountable Agency/ Individual	Status as at end-September 2004
		Foreign exchange reserves at 8 months of imports	End 2005			
		Financeable Fiscal deficit at no more than 3 percent of GDP in medium term 2004-2006	End 2005			Expected Fiscal Deficit in 2004 budget 2.0 percent of GDP.
(B) External Debt Management	Strengthen Debt Management	Complete computerization of external debt database	March 2004	Improve transparency and efficiency in debt management	DMO	Satisfactorily completed while routine fine-tuning and validation continues
	Reduce debts to sustainable levels over medium term	Conclude consolidation of debt management functions in DMO	June 2004	Improve transparency and efficiency in debt management	DMO	Debt management function now concluded in the DMO following the transfer in July of the Debt Conversion Secretariat from CBN guidelines and are regular.
		Restructure commercial debt portfolio through debt exchange or other measures that keep in view comparability with Paris Club subject to appropriate consultations		Obtain NPV savings and reduce debt service requirement over medium term	DMO	Possibility will be explored during the last quarter of 2004 and early 2005. Objective is to free resources for debt service payments to PC among other things.
(C) Domestic Debt Management	Restructure domestic debt portfolio and limit monetary.	Limited recourse to issuance of FGN bonds; retire Treasury Bills and finance budget deficits appropriately	October 2003 and continuous	Reduce cost of government borrowing and roll over risk	DMO	Arrangements concluded for bond issuance in 2004, but postponed due to the entrance of numerous private sector

* There are new measures and targets that were added since the publication of the structural matrix in the 2004 Article IV Consultation report (IMF Country Paper 04/239).

Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 1: Macroeconomic Stability

Reform Component	Objective	Specific Measures and Targets	Implementation Timing	Expected Impact	Accountable Agency/ Individual	Status as at end-September 2004
	financing of deficits					firms (mainly banks) into the market with IPOS and also to avoid possible conflicts with monetary policy. Treasury Bills have been smoothened and restructuring into longer-term bonds will commence last quarter of 2004.
	Sub-national borrowing and debt framework			Adopt a framework for sub-national government borrowing consistent with fiscal discipline and macro stability	DMO	Ongoing dialogue, sensitization and consensus building with States. Draft guidelines to be ready by end of year.

* There are new measures and targets that were added since the publication of the structural matrix in the 2004 Article IV Consultation report (IMF Country Paper 04/239).

Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing

Section 2: Fighting Corruption, Improving Transparency and Accountability

Reform component	Objective	Specific Measures and Target	Implementation Timing	Expected Impact	Accountable Agency Ministry	Status as at end September 2004
(A) Extractive Industries Transparency	Transparency of Oil and Gas Accounts	Enroll country on Initiative	July 29, 2003	Increased trust by domestic and external public, improved country image	SSA/Head, BMPIU for overall accountability of component	Done.
		Announce intentions and specific measures on EITI & identify responsible agencies	November 2003		Mr. resident/ Minister of Finance/ Oby Ezekwesili	Done.
		Selective stakeholder consultations and formation/announcement stakeholder working group	November 2003	Better accounting for Oil revenues in Budget		Done Feb. 18, 2004.
		Sensitize stakeholders and hold workshop, NGO's, Civil Society, NNPC, Chevron, Shell, all oil companies etc.	End-January 2004			Done February 19-20, 2004.
		Issue request for proposals for consultants to draft TORs for	December 2003			Done. Adverts for consultants in

* There are new measures and targets that were added since the publication of the structural matrix in the 2004 Article IV Consultation report (IMF Country Paper 04/239).

Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing

Section 2: Fighting Corruption, Improving Transparency and Accountability

Reform component	Objective	Specific measures and Target	Implementation Timing	Expected Impact	Accountable Agency Ministry	Status as at end September 2004
		auditors to review annual accounts and tax filings of oil companies (b) audit government oil accounts including MOF, NNPC, CBN, NDDC accounts and oil numbers				international newspapers by the National Stakeholders Working Group (NSWG). Selection of Consultations, September 27, 2004.
		Finalize selection of auditor	May l, 2004	Better handle on Oil (Revenues) inflows and outflows	Head BMPIU/Oby Ezekwesili	Selection auditors for this specialized type of work has been far more complicated than initially expected hence the delays. TORs for audit work ready January 2005 Interim Report March 2005. Final Report 2005.
		Initiate Audit 2000, 2002 and 2003	May 2004			
		Interim Audit Report	September 2004			
		Final Audit Report for 2003	December 2004			
		Public Dissemination	End-December 2004			
		Development templates for reporting on a semi- annual basis	End-January 2005			
		Develop templates for reporting on semi-annual Gas production, sales, revenues etc.	End-January 2005			
		First semi-annual oil accounts report shared with public and posted on Economic Reform/NEEDS website, Newspaper publication, Civil Society monitoring	June 30, 2005			

* There are new measures and targets that were added since the publication of the structural matrix in the 2004 Article IV Consultation report (IMF Country Paper 04/239).

Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing

Section 2: Fighting Corruption, Improving Transparency and Accountability

Reform component	Objective	Specific measures and Target	Implementation Timing	Expected Impact	Accountable Agency Ministry	Status as at end September 2004
		Establish Oil and Gas Accounts Modeling and Oversight Unit in Ministry of Finance	End-December 2004	Provide back-up technical support to EITI and provide better handle on oil (revenues) inflows and outflows. Provide forecasting economic capability of the sector, Oil and Gas	Ministry of Finance	Done, Head of the Unit is in place since mid-January 2004. Multi-disciplinary team to support the work has been assembled as of end-August. Model is in place and work has commenced.
(B) Support to Economic and Financial Crimes Commission (EFCC)	Show that Economic Crimes have consequences	Income EFCC officer strength to 400 staff	By June 2004	Noticeable drop in domestic and internationally reported "419."Financial and other related crimes	EFCC-Nuhu Ribadu	EFCC staff strength has increased from 80 to 315 (including seconded staff from other agencies) 53 cases are under prosecution in just about a year of serious operational work including cases involving three of the most important "419." kingpins presently under arrest. Due to the adversarial nature of the judicial system prosecutors take time and there has been one conviction thus far. 500 people are in custody however and over US$500 million worth of goods have been seized.
	Demonstrate Nigeria's willingness to fight money laundering meet FATF conditions	Provide supporting investigative resources and physical enabling environment	Budget 2004 appropriation by February 15, 2004			EFCC and other security agencies constitute important priorities for support in budget 2004. Appropriation of EFCC for

* There are new measures and targets that were added since the publication of the structural matrix in the 2004 Article IV Consultation report (IMF Country Paper 04/239).

Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 2: Fighting Corruption, Improving Transparency and Accountability

Reform component	Objective	Specific measures and Target	Implementation Timing	Expected Impact	Accountable Agency/Ministry	Status as at end September 2004
						both recurrent and capital budget is approximately N 752 million for 2004 compared to a N 400 million take off grant in 2003.
		Establish Financial Intelligence Unit, staffed and working	January 15, 2004			Done. (FIU established within EFCC and operating with 17 staff).
		Review money laundering legislation to conform with FATF	September 2003			Done. Legislation revised that meets FATF guidelines has been passed by the National Assembly May 2004. Nigeria has successfully cleared the first phase of requirements for delisting from FATF. Nigeria has also prepared an Anti-Money Laundering (AML/CFT) Strategy and implementation plan for submission to FATF 17th September, 2004 submission of the plan marks the beginning of the 2nd phase of the processes that will lead to the delisting of Nigeria by FATF.
		Launch communication campaign against "419"	End-November 30, 2003			Campaign has been launched. Database program is on track and plans for EFCC School are also on track.
		Deploy database program for "419"	June 2004			
		Establish EFCC training school for capacity and specialized training of personnel	December 2004			

* There are new measures and targets that were added since the publication of the structural matrix in the 2004 Article IV Consultation report (IMF Country Paper 04/239).

Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 2: Fighting Corruption, Improving Transparency and Accountability

Reform component	Objective	Specific measures and Target	Implementation Timing	Expected Impact	Accountable Agency/ Ministry	Status as at end September 2004
(C) Strengthen Independent Corrupt Practices Commission (ICPC)	Show that corruption does not pay and will be vigorously dealt with	Amend ICPC Legislation to accelerate prosecution	End-December 2003	Improved TI corruption perception index ranking for Nigeria from 2nd to last to 4th to last by December 30, 2004, continued improvement 6th from bottom by December30, 2005	ICPC	Done. 62 plus cases in process with ICPC, several in court including high profile cases of ex-public officials, ministers, top civil servants and judges—some recently fired from public service.
		Get amended Legislation passed*	End-March 2004			
		Set up an independent steering committee of civil society, private sector and public sector for oversight of ICPC conduct*	June 2004	Accountability and transparency of the ICPC to the public		In process.
(D) Legal and Judicial Reforms	Strengthen rule of Law, speed up court cases	Draft Legal and Judicial Reform strategy, appropriately costed with implementation plan	June 2004	Rule of Law entrenched Speedy resolution of cases with beneficial impact on households and businesses	Ministry of Justice and Judiciary	Draft Strategy now completed. Next step is presentation to Economic Management Meeting in October 2004 and Development of Implementation Plan.
	Ensure conducive legal environment for public safety and conduct of business for the private sector.	Begin implementation of strategy	July 2004		Ministry of Justice	Strategy recently completed. Implementation Plan to be prepared.

* There are new measures and targets that were added since the publication of the structural matrix in the 2004 Article IV Consultation report (IMF Country Paper 04/239).

Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 2: Fighting Corruption, Improving Transparency and Accountability

Reform component	Objective	Specific measures and Target	Implementation Timing	Expected Impact	Accountable Agency/ Ministry	Status as at end September 2004
		Average time for processing cases halved from x months to x months.	By Dec. 30, 2005			
(E) Police Reform	Improve security for Nigeria households and businesses	Police draft reform strategy	December 2003	Improved sense of physical security by Nigerians measured by a sample survey. Drop in number of crime cases, car snatching assassinations	Ministry of Police Affairs, Inspector General of Police	
	.	Continue to increase size of police force up to 300,000	June 2004.	Drop in number of crime cases, car snatching assassinations from x in 2003 to y in 2004, 2005 and 2006		Police Force increased by 120,000 to 240,000 by February, 2004. Police strength now 310,000 as of September 2004. Car snatching cases have dropped considerably from 2002 levels (some estimate are by up to two-thirds since the car snatch regional kingpin Ahmed Tijani was apprehended in Mali in November 2003 by a joint regional security effort and brought to Nigeria for trial. Security continues to receive top presidential attention.
		Design and begin implementation and training	By December 2004		Ministry of Police Affairs, Inspector-General of Police	
		Capacity building and retention programs for all police at all levels	Reflection budget in 2004			

* There are new measures and targets that were added since the publication of the structural matrix in the 2004 Article IV Consultation report (IMF Country Paper 04/239).

Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 2: Fighting Corruption, Improving Transparency and Accountability

Reform component	Objective	Specific measures and Target	Implementation Timing	Expected Impact	Accountable Agency/ Ministry	Status as at end September 2004
		Improve supply of equipment, materials and improve police barracks and training schools (Ikeja) etc.	October 2003 and continuous			Training in Community Policing ongoing with help of U.K.
		Strengthen community policing	December 2005			
		Substantially reduce number of ethnic clashes				
(F) Reform of Government Procurement and enhancement of Due Process Mechanism	Value for money and transparency in government contracting	Extension of Due Process to cover all Government agencies and parastatals not presently included	December 30, 2003	Improved quality of government contracting through cost savings of an average N 40 billion by end 2004 for a higher public expenditure efficiency ratio	Head, BMPIU	Done. Savings from Due Process Certification process about N 118 billion up from N 85 billion in February 2004.
				50 percent reduction in the number of requests for contract award Due Process Certificate that are declined for noncompliance by end 2004 (1 in every 5 requests currently fail the Due Process)		October 2001-September 2004.
		Publication and dissemination of New Procurement Guidelines to government agencies and the public	December 30, 2003		Head, BMPIU	Now expected October 30, 2004. Conversation ongoing with agencies.
		Set up BMPIU as the supporting secretariat for Public Procurement Reform and Implementation		To improve leadership of procurement reforms		Done.

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Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 2: Fighting Corruption, Improving Transparency and Accountability

Reform component	Objective	Specific measures and Target	Implementation Timing	Expected Impact	Accountable Agency/Ministry	Status as at end-September 2004
		Set up Resident Due Process teams in all federal ministries, agencies and parastatals to complement departmental tender boards and Federal Tender Boards	March 30, 2004			In process-Resident Due Process teams (RDPT) set up in Defense, NDDC. Two major contracting agencies. Plans currently underway to set up Resident Due Process Team in NNPC, NPA, INEC etc.
		Recruit Task Officer for the PRIC at the BMPIU Local/International. Consultants	December 30, 2003			Done.
		Organize a stakeholders workshop on review of procurement policy and procurement bill	February 29, 2004	To crystallize an organic process for procurement policy and regimen among various stakeholders		Done.
		Withdraw Procurement Policy Commission Bill from National Assembly for review and broader stakeholders consultation				Done.
		Setting up of Procurement Commission				December 2004.
		Procurement Legislation to National Assembly	March 1, 2004			Now expected December 2004.
		Begin implementation-New Procurement Framework	June 30, 2004			Now expected March 2005.
	Increase use of Public Sector audits	Issue and make Public Auditor-General's reports	Recommence January 1, 2004			

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Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 3: Governance and Institution

Reform component	Objective	Specific Measures and Target	Implementation Timing	Expected Impact	Accountable Agency/ Individual	Status as at end-September 2004
(A) Local Government Reforms	To promote stability, accountability, efficiency, service delivery and grassroots democracy	Committee on Local Government Reform, White Paper, Public enlightenment, implementation of white paper recommendations	November 2003 Receive Report	Contain violence instability Promote efficiency and service delivery	Mr. President & Minister Inter-governmental Affairs	Done.
		Bills to National Assembly as necessary	January 2004- Get White Paper	Promote quality governance and leadership		Discussion and debate on recommendations ongoing.
		Constitutional Amendment as necessary	May 2004-Initiative discussions with NASS	Eliminate waste and corruption		
(B) NNPC Reforms		EITI and Privatization Measures				NNPC Management changed November 2003. Restructuring and reorganization in process. About 1,000 staff laid-off.
(C) Policy and Program Monitoring	To promote systematic information gathering, sharing and lessons learned on government programs and policies. To help reinforce accountability for outputs and outcomes	Clarify role of various monitoring agencies and units–BMPIU, Federal Office of Statistics, CBN, National Planning Commission, Presidency Monitoring Unit, Ministry of Finance, PRS Unit, NEIC in monitoring and evaluation	End-January 2004	Improve monitoring processes/ procedure Ensure effective follow-up to all decisions	Mr. Julius Ihovnbere, Office of Policy & Program Monitoring, Presidency	In process.

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Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 3: Governance and Institution

Reform component	Objective	Specific Measures and Target	Implementation Timing	Expected Impact	Accountable Agency/ Individual	Status as at end-September 2004
		Fully establish Presidency Monitoring Unit with clear TORs as a one-stop shop or clearing house on policy and program monitoring	End- January 2004	Monitor implementation of policies		Done.
		Realign and redefine monitoring priorities and strategies and check waste, corruption and inefficiency	End-June 2004			
(D) Reform of National Statistics and Data Gathering	Provide reliable and systematic database of information on the country's key economic and social indicators	Develop statistics master plan to guide collection of statistics	End-June 2004	Greater confidence in National Statistics	National Planning Commission/E conomic Adviser to Mr. President	Done.
		Review role and structure of FOS and measures for strengthening	End-March 2004			Done.
		Begin implementation of statistics master plan	End-August 2004			FOS building secured in Abuja. E.U. Support is kicking in towards facilitating the implementation of the master plan support from other donors also expected.

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Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 4: Public Expenditure and Public Service Reform

Reform component	Objective	Specific Measures and Targets	Implementation and Timing	Expected Impact	Accountable Agency/ Individual	Status as at end-September 2004
(A) Public expenditure/ Budget Reforms	Improve Fiscal Discipline at all tiers of Government. Reduce Federal Government budget deficit and curtail deficit spending. Introduce order into budget formulation and implementation	On budget formulation, introduce fiscal strategy paper as a tool for specifying priorities and facilitating trade-offs engaging the Executive, Legislature. Introduce notion of Medium Term-Expenditure Framework (MTEF)	October 31, 2003	More orderly budget process, greater ownership of budget by both Executive and Legislature. Greater Transparency and increased fiscal discipline	Ministry of Finance	Done.
		Introduce sectoral/ministerial expenditure ceilings as a budget tool in 2004 budget call circular	November 15, 2003		Ministry of Finance	Done.
		Clean up Capital and Recurrent Budgets to introduce clarity in Budget classification	October 31, 2003 through October 31, 2004		Ministry of Finance	Budget classification exercise completed end-June 2004. New codes now in use for 2005 budget.
		Stock taking census on contractor arrears in system	End-November 2003		Ministry of Finance	Stock taking on contractor arrears now completed. Strategy being put in place to pay down and securitize arrears. Total contractor arrears over N 500 billion.
		Develop plan to eliminate all contractor arrears by 2006 and 2007	November 30, 2003		Ministry of Finance	In process. Some of the excess crude savings will be used to pay down contractor arrears in 2005. Arrears will be securitized and redeemed 2006, 2007 and outer years.

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Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 4: Public Expenditure and Public Service Reform

Reform component	Objective	Specific Measures and Targets	Implementation and Timing	Expected Impact	Accountable Agency/ Individual	Status as at end-September 2004
		Eliminate 20 percent by 2004.				About 7 percent to be eliminated by end-204. The stock of arrears is much larger than expected. About 10 percent will be eliminated in 2005. A plan for securitization and phased elimination over a longer time horizon is being prepared.
		Eliminate 25 percent by 2005 and 25 percent by 2005 and 25 percent by 2006		2005 and 2006	Ministry of Finance	
		Eliminate balance by 2007				
		Review and list backlog of uncompleted projects. Identify viable projects for completion with emphasis on priority sectors of agriculture, education, health, roads, power, water supply and phase. End funding for those that are unviable or not in conformity with government development objectives	December 31, 2003		Ministry of Finance	List of 500 viable uncompleted projects in Due Process database. Viable projects have been identified for completion in most priority sectors, Health, Works, and Water. Others ongoing. Identification of unviable projects has begun and list should be ready end-March 2005. Some unviable projects have already been dropped from financing by the budget or they have been taken over by the private sector e.g. Ajaokuta, Delta Steel.

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Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 4: Public Expenditure and Public Service Reform

Reform component	Objective	Specific Measures and Targets	Implementation and Timing	Expected Impact	Principal Accountable Agency/ Individual	Status as at end-September 2004
		Make budgets publicly available, publish on government website, sale in bookshops. Increase transparency of government use of revenue allocations	En-January 2004 for 2004 budget		Ministry of Finance	Budget summary booklet circulated since end-March. Completed Budget published on ministry website www.fmf.gov.ng. Monthly publication in Local Newspapers of State, Federal and Local government shares of the Federation account is ongoing. This is having tremendous impact as citizens and media are now focusing more on issue of use of government resources at all tiers of government. Booklet showing allocations to all tiers of government since 1999 will be published end-September 2004 as part of Transparency in Action series of the Federal Ministry of Finance.
		Quarterly reports on budget implementation and outcomes*	Quarterly starting March 31, 2004		Ministry of Finance	Due to late passage of Appropriations bill in March, a half yearly monitoring report has been done and transmitted to the National Assembly September 21.
		Introduce special monitoring of 15 largest capital projects. Develop templates for monitoring in conjunction with BMPIU*	March 30, 2004			In process.

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Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 4: Public Expenditure and Public Service Reform

Reform component	Objective	Specific Measures and Targets	Implementation and Timing	Expected Impact	Principal Accountable Agency/ Individual	Status as at end-September 2004
		Create computerized budget monitoring system and essentially better link and concurrently computerize Budget and AGF Office. Also strengthen AGF functions in line with ministries as part of the introduction of the Financial Management System (FMS). Shift budgeting functions from Administrative to Finance and Account*				AGF's Office undergoing pilot computerization exercise. However, plans are underway for a financial management system linking AGF to Budget Office with implementation in 2005-06. Efforts are underway in four pilot ministries to strengthen AGF functions and shift budgeting function from Administrative to Finance and Accounts.
		Create monthly cash management committee to give "teeth" to Budget Monitoring and reconciliation. MOF, CBN, AGF, NNPC, Budget Office as core members*	December 31, 2004		Ministry of Finance	Done. Committee had first meeting January 28, 2004. Monthly meetings have continued thereafter.
		Strictly no excess ways and means beyond statutory "Excess" allowed*	Quarterly monitoring		Ministry of Finance	Tight cash management through the Cash Management Committee has limited recourse to ways and means and reduced likely fiscal deficit which is now easily financeable looted funds and additional independent revenues raised by the Federal Government.
		Develop and implement rudimentary expenditure tracking system for three sectors—Education, Health, Roads and Agriculture*	July 2005			

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Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 4: Public Expenditure and Public Service Reform

Reform component	Objective	Specific Measures and Targets	Implementation and Timing	Expected Impact	Accountable Agency/ Individual	Status as at end-September 2004
		Substantially improve pace of Capital Budget implementation*	80 percent of Budget implemented by December 31, 2004		Ministry of Finance	Capital Budget to be released in quarterly tranches starting with first tranche of N 100 billion. Second and third quarter tranches have also been released. A total of about N 284 billion has been released for the three quarters out of a capital budget of N 350 billion.
		Capital accounts of ministries to be organized as subaccounts under a single Central Capital Account with CBN*	January 1, 2004		Ministry of Finance	Done and next step is to move to a single Treasury account.
		Revise and send Fiscal Responsibility Bill including oil or commodity price based fiscal rule to national Assembly*	December 31, 2003		Ministry of Finance	Fiscal Responsibility Bill has been reviewed but stakeholder consultations are ongoing to facilitate public support for the bill and easier passage. These consultations with Governors, State Commissioners of Finance, Civil Society, Legislature etc. will be completed end-October. Bill will be transmitted to National Assembly end-November with passage expected end-March 2005. Timetable has slipped because revisions took longer than expected and greater stakeholder consultations are needed in view of the bill's importance and significance to the reform program
		Revise and send finance bill to National Assembly*	December 31, 2003			Now scheduled for November 2004.
		Passage of fiscal Responsibility and Finance*.	Expected September 30, 2004			

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Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 4: Public Expenditure and Public Service Reform

Reform component	Objective	Specific Measures and Targets	Implementation and Timing	Expected Impact	Principal Accountable Agency/ Individual	Status as at end-September 2004
		Develop and get approved by FEC and NEC implementation plan for Fiscal Responsibility Bill*	September 30, 2004			
(B) Pension Reform	Put pensions obligations on an equitable and fiscally sustainable footing	Send new contributory Pensions Bill to National Assembly*				Pensions Bill passed end-June 2004.
	Accumulate source of long-term savings	Pensions Bill passed by national Assembly*	March 31, 2004			Deductions for new contributory pensions began July 1, 2004.
		Quantify Pensions Arrears (PAYG) and devise and begin implementation strategy to address arrears*	June 30, 2004		Federal Pensions Commission	Arrears still to be quantified
		Establish procedures for paying benefits and arrears in a systematic, timely, equitable and affordable manner*	December 31, 2004			In process
		Quantify pension liabilities in respect of past service under the new contributory scheme consistent with fiscal affordability*	September 30, 2004			In process.
(C) Monetization	Get government out of fiscally-unsustainable provision of fringe benefits for public	Monetize fringe benefits of legislature*	July 31, 2003	Involve upfront costs with expected benefits and reduce costs accruing from end-2004	Head of Service PS to President Minister of FCT	Done.

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Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 4: Public Expenditure and Public Service Reform

Reform component	Objective	Specific Measures and Targets	Implementation and Timing	Expected Impact	Principal Accountable Agency/ Individual	Status as at end-September 2004
	servants. Put government finances on sound footing					
		Monetize fringe benefits of ministers and political appointees*	September 30, 2003			Done.
		Develop well articulated plan and consistent guidelines for monetization of the civil service*	November 30, 2003		HOS, PS-President, Minister of FCT	Guidelines have been developed. Circulars issued but implementation plan still sketchy.
		Develop and announce transparent program with guidelines on Federal Government Asset sales*	November 30, 2003			Guidelines for Vehicle Asset Sales have been developed. Vehicle sales completed for core civil service. Receipts to be transferred to Federal Government Monetization Account in CBN. Guidelines on Property Sales in Abuja are being developed.
		Begin Federal Government Asset Sales*	January 31, 2004	Nx billion revenues from Asset Sales		Done. Vehicle sales done for core civil service. Sales of housing in Lagos have begun N 5 billion realized so far. Sales in Abuja are yet to begin.
		Monetize Core Civil Service at all levels*	June 2004			In process.
		Introduce hard budget constraints for parastatals dependent on government subvention and monetize*	December 2004	Nx billion costs and Nx billion savings from overhead and fringe benefits	Ministry of Finance	25 percent cut in overheads introduced for most parastatals dependent on government subventions. Timely audit of parastatal accounts and submission to Auditor-General key to Budget 2005 implementation.

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Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 4: Public Expenditure and Public Service Reform

Reform component	Objective	pecific Measures and Targets	Implementation and Timing	Expected Impact	Accountable Agency/ Individual	Status as at end-September 2004
(D) Public Revenue Tax Reform	Simplify tax System to ensure better compliance and broader tax base and increase revenue collection	White paper with recommendations*	December 31, 2003	Better tax compliance and potentially greater efficiency in revenue collection and in the medium term increased revenues	Ministry of Finance/Federal Inland Revenue Services	Working Group on Tax Simplification completed its work. Presentation to Federal Executive Council, mid-October 2004 while paper expected end-November 2004. Begin implementation January 2005.
		Revised Company tax Personal income tax and VAT tax bills*	March 31, 2004		Ministry of Finance/Federal Inland Revenue Services	Targeting January 2004
	Strengthen revenue collectors e.g. FIRS	Submission of Bills to National Assembly*	June 2004		Ministry of Finance	January 2005
		Passage by National Assembly*	August 31, 2004			March 2005
		Restructure FIRS, improve incentive structure*	By June 2004			March 2005

*There are new measures and targets that were added since the publication of the structural matrix in the 2004 Article IV Consultation report (IMF Country Paper 04/239).

Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 4: Public Expenditure and Public Service Reform

Reform component	Objective	Specific Measures and Targets	Implementa-tion and Timing	Expected Impact	Accountable Agency/ Individual	Status as at end-September 2004
(E) Customs Reforms	Modernize and speed up customs clearance, simplify and harmonize tariffs, duties, and waivers, increase revenue collection from Customs. Strengthen and reprofessionalize customs service	Diagnosis and strategy for Customs Reforms including institutional strengthening*	January 31, 2004	Speedier, more transparent customs procedures and clearance	Ministry of Finance	Taskforce on Customs Reform set up by Mr. President under chairmanship of HMSF. Work on Reforms in process whilst implementation of some aspects has begun. New Custom Management team has been in place for three months. Rate of seizures has gone up and accountability improved. A further 30 staff have been dismissed for various offences including corruption, 83 have been retired.
		Produce Trade and Competitiveness Review with specific recommendations from improvements*	End-June 2004		Economic Adviser to the President	
(F) Civil Service Reforms	Reprofessionalize the public service to increase efficiency and effectiveness of basic service delivery for citizens and businesses and cut waste	Launch pilot program in four Ministries/Agency, Finance, Planning, FCT, Information and National Orientation Ministries plus ongoing restructuring work in Federal Mortgage Bank* Integrate service delivery initiate into the reprofessionalization exercise*	September 15, 2003		Finance, FCT, Information, National Planning Commission and Head of Service	Restructuring exercise from Federal Mortgage Bank involving 686 laid off employees under implementation. Ministry of FCT further ahead-3000 ghost workers weeded out and N 58 million a month in savings. Skills analysis and structural review completed. Implementation of restructuring recommendations ongoing. Ministry of Finance restructuring study completed. Pay parade and skills review underway. National Planning Commission restructuring study ongoing. Ministry of Information study ongoing.

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Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 4: Public Expenditure and Public Service Reform

Reform component	Objective	Specific Measures and Targets	Implementation and Timing	Expected Impact	Accountable Agency/ Individual	Status as at end-September 2004
		Freeze hiring by establishments*				Partially implemented. Other service wide reforms—rehiring, firing, promotions and staff monitoring under detailed study and awaiting implementation.
		Introduce hard budget constraints for parastatals dependent on government subvention to control hiring	January 2004			Done.
		Begin implementation of Human Resources Reform with Desk Assessment of payroll*	November 2003		Ministries/agencies and parastatals concerned	Done for FCT. Begun in June for Finance.
		Computerize payroll*	March 31, 2004		Ministries/agencies and parastatals concerned	Done for FCT. Ongoing for Finance.
		Pay parade/weeding out of ghost worker*	April 1 2004		Ministries/agencies and parastatals concerned	Done for FCT.
		Skills Assessment of retained workers and capacity building and retention*	May 1, 2004			Ongoing for FCT. Ongoing for Finance.
		Launch reskilling, training workers and access to retaining, micro-credit etc. for departing workers*	May 1, 2004		Ministries/agencies and parastatals concerned	

*There are new measures and targets that were added since the publication of the structural matrix in the 2004 Article IV Consultation report (IMF Country Paper 04/239).

Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 4: Public Expenditure and Public Service Reform

Reform component	Objective	Specific Measures and Targets	Implementation and Timing	Expected Impact	Accountable Agency/ Individual	Status as at end-September 2004
		Replicate pilot in x parastatals dependent on government subvention and remaining ministries/agencies*	June 1, 2005			
		Restructuring plan/strategy for remaining ministries and parastatals*	January 1, 2005			
		Begin implementation with desk assessment of payroll	June 30, 2005			
		Computerize payroll*	By October 31, 2005			
		Pay parade and weeding of ghost workers*	November 1, 2005			
		Launch reskilling and training of retained workers*	November 30, 2005			
		Enforce hiring controls on establishment and ministries*	Till December 31, 2004			
		Some skills and replacement hiring only with full justification to be cleared with Mr. President and Head of Service*	January 30, 2005			
		Monitor wage bill and overheads of Federal government*	First quarterly report by September 1, 2004 every quarter thereafter			

*There are new measures and targets that were added since the publication of the structural matrix in the 2004 Article IV Consultation report (IMF Country Paper 04/239).

Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 5: Accelerated Privatization and Liberalization

Reform component	Objective	Specific Measures and Target	Implementation Timing	Expected Impact (Quantifiable where possible)	Accountable Agency/ Individual	Status as at end-September 2004
(A) Liberalization Deregulation of Petroleum Sector	Improve efficiency of sector by getting Government out and allowing market forces to work to improve supply and availability of Petroleum Products under appropriate regulatory regime that balances consumer and supplier interests	Complete Liberalization of pricing and marketing of petroleum products	October 1, 2003	Prices for petrol move to import parity approximately N 40 a liter minimum as of October 1.	President and PPRA, NNPC	Done. This measure was implemented on October 1, 2003 along with the phase out of government subsidies to NNPC on the purchase of Domestic Crude implemented on October 22, 2003. As a result of these measures NNPC pays international price for domestic crude refined in country and the price of gas at the pump moved to import parity prices. However, Labor initiated a serious strike against the fuel price which had climbed to N 50-N 52 a liter based on high world oil prices as compared to N 38-N 40 a liter at the start of the deregulation. The court issued an injunction requesting the National labor Congress (NLC) to halt its strike action and asked the government and fuel marketers to go back to the pump price of N 38-N 40 a liter that obtained at the start of deregulation October 1st. Since the injunction, the NNPC has, on a temporary basis, used its accumulated reserves to subsidize the petrol price to the tune of N 350 million a day July-August as no money has been available from the government treasury for this purpose. NNPC reserves have been virtually exhausted and are not expected to last beyond December 2004. The government is sticking by its deregulation policy and is working to get the Court injunction lifted. In the meantime the government is also looking at mechanisms and good practice globally for assisting the poor and vulnerable population in a more targeted fashion to weather the impact of high petroleum prices. Note Court injunction has now been lifted. As at 25th September 2004 petrol prices at the pump are at import parity levels N 52-N 60 per liter depending on location.

*There are new measures and targets that were added since the publication of the structural matrix in the 2004 Article IV Consultation report (IMF Country Paper 04/239).

Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 5: Accelerated Privatization and Liberalization

Reform component	Objective	Specific Measures and Target	Implementation Timing	Expected Impact (Quantifiable where possible)	Accountable Agency/ Individual	Status as at end-September 2004
		Phasing out of Government price subsidies to NNPC on Domestic Crude i.e. move NNPC to international spot price	October 22, 2003.	Improve supply of petrol after a few weeks transition period to solve logistical problems.		Done. Savings of approximately N 109 billion per year to treasury (Budget 2004 Estimates). Please note that these savings refer to the last move from US$18 to US$23 a barrel. The price at which oil is sold to NNPC for the domestic market has been gradually increased over the last two years, and is now same as the world price.
		Move to market-determined exchange rates for NNPC imports	October 22, 2003			Done.
		Privatization of four refineries: Kaduna, Warri, Port Harcourt 1 and 2	Refineries already advertised for sale as at mid-October, 2003. Sales by March 2004	Savings of over N 5.4 billion in Government subventions for repair, rehabilitation, maintenance and running costs. Improved supply of petroleum products	BPE and NNPC.	Privatization of the refineries is in process. They have been advertised and strategic/core investors are being identified. Meanwhile, entry into refining sector has been liberalized and eight licenses awarded. At least one private refinery is said to be scheduled to begin operations by mid-2005.

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Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 5: Accelerated Privatization and Liberalization

Reform component	Objective	Specific Measures and Target	Implementation Timing	Expected Impact (Quantifiable where possible)	Accountable Agency/ Individual	Status as at end-September 2004
		Privatization of Eleme-Petrochemicals Ltd.	December 2005			
		Privatization of West African Refinery Company.				Done. April 2004, 72.88 percent FGN holding sold to Majestic Oil.
		Privatization of 11 Oil Services Companies (IPO): ➢ Baroid Nigeria Ltd. ➢ Bariod Drilling and Chemical Products ➢ Baker Nigeria Ltd. ➢ Halliburton Nigeria Ltd Sante Fe Nigeria Ltd. ➢ Sedco Forex Nig. Ltd. ➢ ACM Nigeria Ltd. ➢ Solus schall Nigeria Ltd. ➢ Dowell Schlumberger Nigeria Ltd. Aschlumberger Testing and Wireline	December 2005			
		➢ Schlumberger Nig. Ltd ➢ Pipeline Products Marketing Co. Ltd.	December 2005			

*There are new measures and targets that were added since the publication of the structural matrix in the 2004 Article IV Consultation report (IMF Country Paper 04/239).

Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 5: Accelerated Privatization and Liberalization

Reform component	Objective	Specific Measures and Target	Implementation Timing	Expected Impact (Quantifiable where possible)	Accountable Agency/ Individual	Status as at end-September 2004
(B) Industry & Manufacturing	Divest Government from Commercial Enterprises and create opportunities for private sector	National Trucks Manufacturing Kano			BPE	Done. National Trucks June 2004, 12 percent FGN holding divested to Arts Engineering and Construction Company.
		Nigeria-Romanian Wood Factory Chemical Company of Senegal Electricity Meter Co. of Nigeria (IPO)	March 2004			
		3 Paper Mills - Nigeria paper Mills - Nigerian Newsprint Manufacturing Co. Ltd. (Oku Iboku) - Iwopin Pulp and Paper Co.	December 2005			

*There are new measures and targets that were added since the publication of the structural matrix in the 2004 Article IV Consultation report (IMF Country Paper 04/239).

Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 5: Accelerated Privatization and Liberalization

Reform component	Objective	Specific Measures and Target	Implementation Timing	Expected Impact (Quantifiable where possible)	Accountable Agency/ Individual	Status as at end-September 2004
		5 Vehicle Assembly Plants: - ANAMMCO - Leyland Nig. Ltd. - Volkswagon - Steyr Nig. Ltd. Peugeot - Automobile of Nig. 2 Fertilizer Companies: - NAFCON - Federal - Superphaspate - Fertilizer	December 2005		BPE	Peugeot Automobile of Nigeria, 0.13 percent FGN holding divested to Kaduna State Investment Company.
		Save Sugar: - Sunit Sugar - Nigeria Sugar Co. - Lafiagi Sugar Co.	December 2006			
		Nigeria Machine Tools	December 2005			
		Onigbolo Cement	December2006			
		Power Sector	December 2005			
(C) Infrastructure and Electricity Networks		Reform including Regulatory Framework and completion of NEPA unbundling	December 2005		BPE, Ministry of Power and Steel	

*There are new measures and targets that were added since the publication of the structural matrix in the 2004 Article IV Consultation report (IMF Country Paper 04/239).

Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 5: Accelerated Privatization and Liberalization (continued)

Reform component	Objective	Specific Measures and Target	Implementation Timing	Expected Impact (Quantifiable where possible)	Accountable Agency/ Individual	Status as at end-September 2004
		Passage of Power Bill by National Assembly	March 31, 2004			Electricity Bill still under consideration by National Assembly. Passage expected December 2004.
		Empower NEPA to enforce payment discipline in sector through power cuts, sanctions for non-payment and other illegal power theft activities	Continuous starting mid-October 2003			Nepa has managed to improve collection efficiency from 40 percent to 62 percent. The target is 76 percent by end-year.
		Establish and properly staff National Electricity Regulatory Commission	End-December 2004			
		NRC non-Core Assets - Nigerian Unity Line - Nigeria Aviation Handling Co. (11 percent)	March 2004			
		Delta Steel	March 2004			Done. June 2004 Delta Steel, 80 percent FGN holding sold to BUA Group.
		Passage of Federal Infrastructure Projects Concessioning Bill on the Public/Private Infrastructure Concessioning and Development Partnership Bill	September 2004			Bill has been sent to National Assembly. Bill regulates public private partnerships in infrastructure development. Paves

*There are new measures and targets that were added since the publication of the structural matrix in the 2004 Article IV Consultation report (IMF Country Paper 04/239).

Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 5: Accelerated Privatization and Liberalization (continued)

Reform component	Objective	Specific Measures and Target	Implementation Timing	Expected Impact (Quantifiable where possible)	Accountable Agency/Individual	Status as at end-September 2004
						way for innovative private sector approaches to infrastructure. Expected passage end-December 2004.
		Nigeria Ports Authority - Railway Property Company Limited Concessioning - National Inland - Waterways Authority - NITEL (IPO) - NAHCO (IPO) - Federal Airports Authority of Nigeria (4 Airports) - FCT Water Board - Abuja Environmental Protection Board	December 2005			Ports concession ongoing 110 EOIs received for four Ports; 96 prequalified.
		Nigeria Airways (Liquidation)	December 2006			
		NIPOST - Nigeria Railway Corporation	December 2006			
		NICON Insurance	December 2005			

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Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 5: Accelerated Privatization and Liberalization (continued)

Reform component	Objective	Specific Measures and Target	Implementation Timing	Expected Impact (Quantifiable where possible)	Accountable Agency/ Individual	Status as at end-September 2004
		- Abuja International Hotel (Sofitel) - New Nigeria Newspaper				
		Daily Times	March 2004		BPE	Daily Times Done June 2004—80 percent FGN holding divested to Folio Communications Ltd.
		NSPMCI	March 2004			
		Afribank	March 2004			
		Capitol Hotel Sheraton (IPO)	December 2005			
		Nigeria Hotels (Central), Kano	March 2004			
		Durbar Hotel	December 2005			
		NIRMSCO Prop. Ltd.	December 2006			Nigeria (Central Hotels) July 2004 sale of Assets to Broad—Intermediary and NAL Assets Management
\		Nigeria Hotels (Investments) Bristol Hotel Benue Hotels Ltd Sokoto Hotels	December 2005			
		Lake Chad Hotel Maiduguri Western Hotel Ltd.	December 2005			

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Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 5: Accelerated Privatization and Liberalization (continued)

Reform component	Objective	Specific Measures and Target	Implementation Timing	Expected Impact (Quantifiable where possible)	Accountable Agency/ Individual	Status as at end-September 2004
		Abuja Stock Exchange	March 2004			
		Nigeria Reinsurance	December 2005			
		Tafawa Balewa Investments Concessioning - International Trade Fair Complex	December 2005			
		- Stadia (Abuja, Lagos and Kaduna) - National Theatre Lagos - Federal Housing Authority (IPO)	December 2005			
		Federal Mortgage Bank of Nigeria Nigerian Bank for Commerce & Industry NERFUND	December 2005			
		Stallion Property and Development Co. Ltd.	December 2005			
		Commercialization Enterprises News Agency of Nigeria Nigeria Film Corp Nigeria Television Authority Federal Radio corp of Nigeria National parks	December 2006			

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Authorities' Core Economic Reform Program—Preliminary Matrix of Measures with Sequencing and Phasing
Section 5: Accelerated Privatization and Liberalization

Reform component	Objective	Specific Measures and Target	Implementation Timing	Expected Impact (Quantifiable where possible)	Accountable Agency/ Individual	Status as at end-September 2004
		Nigeria social Insurance Trust Fund				
		Nigeria Agricultural Cooperative & Rural Development Bank	December 2006			
		Bank of Industry	December 2006			
		Stadia (Enugu, Ibadan, Bauchi).	December 2006			

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Item	**Date**
Review of developments at end-2004 and 2005 Article IV consultation discussions.	February/March 2005
Review of developments during the first quarter of 2005 and prospects.	May 2005
Mid-year review for 2005.	August/September 2005
Review of developments for the third quarter of 2005.	November 2005
Review of developments for end-2004 and 2005 Article IV consultation discussions.	February/March 2006