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Revamping Legal and Institutional Framework for the Management of Inflation Targeting in Developing Economies

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ABSTRACT: *This paper examines the legal and institutional framework for the conduct of Inflation Targeting(IT) in developing and emerging economies using Nigeria as a test case. The main argument in favour of the efficiency of IT is that autonomy, transparency, and accountability lead to lower inflation and inflation variability. These are ingrained in the legal and institutional governance on the part of the central bank. The paper, therefore, attempts to find whether sound institutions and quality governance could make a difference in the management of IT that delivers results in developing countries. An exploratory method was employed to examine Nigeria's legal and institutional framework for monetary policy. Evidence from the cross-country review of the legal framework that embodies provisions for monetary policy in Nigeria suggests that ambiguous legal provisions, low-quality governance, and potential coordination pitfalls threaten the IT frameworks that deliver results. It is recommended that developing and emerging economies like Ghana, Turkey, and South Africa, which are struggling with weak institutions and target overshoot, should embark on institutional revamping to optimise their legal and institutional framework to ensure efficiency in target setting, monitoring and evaluation.*

KEYWORDS; inflation, inflation targeting, developing economies, legal framework, institutional framework.

INTRODUCTION

*I*nflation Targeting (IT) as a Monetary Policy framework establishes a strong nominal anchor, which is a crucial element in successful monetary policy. It makes central banks preoccupied with price stability rather than focusing on the more distant objectives of output growth, employment generation and external competitiveness (Mishkin, 2000). The credibility of IT is primarily assumed to be enhanced by a high degree of central bank's autonomy in policy formulation and robust accountability arrangements for policy performance (Heenan et al., 2006). Transparency and accountability are among the key pillars of IT which rest on sound legal and institutional arrangements. In many countries, statutory requirments for operational independence, and mechanisms to ensure transparency and accountability that governs the conduct of monetary policy. However, many developing and emerging economies are stuck with the challenges of weak institutional governance, which might impede the efficiency of an IT framework. The relevance of strong institutions and good governance in stimulating economic growth and how poor governance undermines that are well enumerated in the literature (IMF, 2016; Acemoglu, 2012; Acemoglu et al. 2003; Fukuyama & Rodrik, 2008; North et al., 1991).

The need for transparency and accountability in the management of IT is universal across both advanced and developing economies. However, it is stronger for countries with lower governance quality, higher corruption and developing economies. Developing countries represent a mixed group from low to middle-income countries, each with a distinct legal and institutional foundation and peculiar macroeconomic conditions. In many developing countries, the requirements for an effective IT strategy are absent (Debelle, 1998). Indeed, in a few developing countries, the basic requirements for the adoption of IT are not satisfied, while in many developing countries, assessing the degree of compliance with the essential prerequisites is more complex (Ibid).

Therefore, the central questions of this paper are what legal and institutional conditions would developing countries adopt for implementing IT? Could sound institutions and quality governance make a difference in the conduct of IT that delivers results in developing countries? The main argument in favour of the efficiency of IT is that autonomy, transparency, and accountability lead to lower inflation and inflation variability. These are ingrained in the legal and institutional governance on the part of the central bank (Haichun Ye, 2008). Thus, through exploratory method, this paper aims to examine the existing institutional and legal arrangements in the Nigerian context and provide policy recommendations for a set of institutional arrangements appropriate for IT conduct in developing economies.

RELATED LITERATURE

Inflation Targeting as a Monetary Policy Framework

There is substantial evidence indicating the rationale and relative effectiveness of IT in developed and emerging market economies. According to Jahan (2012), a major advantage of inflation targeting is that it combines elements of both "rules" and "discretion" in monetary policy. According to him, this "constrained discretion" framework combines two distinct elements: a precise numerical target for inflation in the medium term and a response to economic shocks in the short term. Another important rationale for employing IT as a monetary policy framework is that it enables central banks to focus on domestic considerations and respond to shocks to the domestic economy. This does not require a stable relationship between money supply and inflation but rather all available information to determine the best setting for monetary policy instruments. This implies that when an explicit IT target is communicated, the target can be easily understood by the public, thereby portraying transparency and accountability in implementing monetary policy.

Evidence shows that an IT-driven monetary policy reduces inflation among IT adopters (Bernanke et al., 2000; Mishkin & Schmidt-Hebbel, 2007; Mishkin, 2002). It also leads to a decline in inflation and the volatility of inflation after IT adoption (IMF, 2015 and King, 2002). Similarly, an Increased anchoring of inflation expectations leads to increased anchoring of expectations in the economy for the IT adopters; it enables central banks to have well-anchored inflation expectations that simplify the path to achieving price stability. Against this backdrop, low and stable inflation contributes to better medium and long-run growth performance (Bernanke et al., 2000) and lower sacrifice ratio where IT adopters were able to dis-inflate at a more minor output cost (Gonc alves et al., 1998 and Hung et al., 2019). It institutionalises more transparent and coherent policy-making, increased accountability, and better communication between the central bank and markets. (Bernanke and Mishkin, 1997; Bernanke et al., 2000).

Moreover, a survey of selected IT frameworks in selected developed and emerging economies reveals IT as an effective anchor, as expected inflation was close to the announced target, and deviations between the estimated anchor and target were notably short-lived (Mehrotra & Yetman, 2018). The positive outcome of IT in developing countries was also affirmed by Mishra and Dubey (2022) for a set of 64 emerging markets economies, where they found positive spill-over effects of IT framework on banking system resilience and external capital flows, with the authors recommending full-fledged inflation targeting regimes in emerging markets economies. Additionally, there appears to be a positive association between the adoption of inflation targeting and reduction in corruption in a sample of 61 developing countries, and IT notably improved inflation, average income level, inequality, trade, and the rule of law in these countries (Stojanovikj, 2022). Thus, Inflation targeting imposes some degree of accountability and transparency while generally serving as a nominal anchor for monetary policy.

Conception of Legal and Institutional Framework within an IT Regime

A legal and Institutional framework in the context of IT refers to the legislation and statutory bodies responsible for managing IT regimes. It deals with legal frameworks within which IT-oriented monetary policy is conceptualised, formulated, and implemented. It comprises a set of documents that include the constitution, legislation, regulations, and contracts (NRGI, 2005). Legal framework ensures level playing field for compliance with the provisions laid down for the conduct of IT. In the context of this paper, the legal framework refers to the legal acts that define the roles and responsibilities for operationalising the IT policy objectives. The IMF's Central Banks Transparency Code (IMF, 2020) provide a comprehensive set of principles and practices that guarantee legal foundation and institutionalises transparency and accountability in;

- Governance: legal structure, mandate, autonomy, decision-making arrangements
- Policies: policy frameworks, policy decisions, supporting analysis

- Operations: instruments, coverage, access
- Outcome: reports on governance action, policies, operation
- Official relations with the government, other agencies, and internationally

These principles leveraged the existing monetary policy arrangement in IT design, implementation, and communication. However, countries have different constitutional arrangements that touch on the central bank's autonomy in choosing a set goal, target, instrument, and communication. It offers insights into the global best practice for IT-driven monetary policy.

Institutional Arrangements: Autonomy, Transparency and Accountability

The literature is extensively concerned with the issue of autonomy and institutional arrangements for IT-driven monetary policy regimes. These included IMF (1998), Lybek and Morris (2004) and Tuladhar (2005), among others. In particular, Heenan et al. (2006) found that distinctions may be drawn between goal, target, and instrument autonomy in establishing institutional arrangements to support inflation targeting. Goal autonomy refers to the independent authority of the central bank to define the ultimate objective of monetary policy, particularly whether price stability should be the primary goal. In contrast, target autonomy allows the central bank to specify the level and details of an inflation target consistent with the broadly set goal of price stability. The third type of autonomy is operational autonomy, which gives the central bank authority to set its monetary policy instruments to achieve its inflation target.

However, the institutional arrangement covering the central bank's independence to pursue its objectives could be traced in the work of Lastra (1996) and Goodhart (1998), who were among the first scholars to stress the need for regulatory and supervisory agencies' independence. Based on this orientation, Quintyn and Taylor (2003) defined four essential dimensions of independence: regulatory, institutional, supervisory, and budgetary. Additionally, Hupkes, Quintyn, and Taylor (2005b) subsequently emphasised that proper accountability arrangements are needed to make agency independence effective, in addition to an elaborate set of accountability arrangements. However, in all inflation-targeting countries, the primary goal of monetary policy is established in central bank legislation rather than delegated to the central bank (Heenan et al., 2006). Thus, Institutional mechanisms for providing central bank policy accountability vary across countries, with some having quite formal arrangements and others less formal.

Country Experience

Republic of Ghana

The primary objective of the Bank of Ghana (BOG) is to maintain stability in the general level of prices as stated under section three (3) of the Bank of Ghana Act 2002 (Act 612) as amended. In 2007, the BOG officially adopted an inflation targeting (IT) framework underpinned by a flexible exchange rate regime. The bank has put institutional, accountability, and operational structures in place to support the implementation of the IT framework which is iline with it madate of achieving price stability. At the institutional level, the Government and the BoG set the medium-term inflation target. At the operational level, inflation forecasts play an important role in determining the extent of likely deviation from the inflation target and has developed a suite of models for forecasting inflation. The BOG promotes transparency and accountability to anchor inflation expectations effectively with the target band (Duah, 2021). The BOG is accountable to the legislature and must submit monetary and financial stability reports that provide extensive details on the monetary policy course of action to Parliament twice a year. BOG set a target at 8% with a symmetric band of 2%. As of March 2023, inflation in Ghana hit 52.8%, way beyond the target. The country has struggled to meet its targets which is primarily attributed to weak institutions and a lack of fiscal discipline, among other factors.

Republic of South Africa

The South African Reserve Bank (SARB) adopted an inflation-targeting regime as the core of its monetary policy in 2000 (Thllaku, 2011). It set its long-term consumer price inflation through the repo rate as the primary policy instrument. To protect the Rand's value, the SARB uses inflation targeting, which aims to maintain consumer price inflation between 3% and 6%. The value of the currency is, therefore, protected relative to domestic consumer prices. The Minister of Finance sets the target in consultation with the Governor of the SARB. Since 2017, the Monetary Policy Committee has emphasised that it would like inflation close to the 4.5% midpoint of the 3-6% target range. The target is continuous, flexible, and forward-looking. The flexibility is reflected in the provision that temporary deviations from the target are acceptable if inflation returns to the target range over a reasonable period (SARB, 2023).

Inflation in South Africa is characterised by an announcement of a numerical target for the inflation rate intended to be achieved over a specific period (Gunnar, 1998). The numerical inflation target was announced explicitly to the public to indicate clearly what the SARB should be held accountable for, and to make applying this framework as transparent as possible (Van den Heever, 2001). The central bank must explain what went wrong if the target is met. The SARB is required to transmits report on the stance of monetary policy to the Parliament.

The monetary policy stance is communicated regularly to the public through a monetary policy statement after the completion of every meeting of the MPC. A Monetary Policy Forum was also established to open an avenue for discussion on the direction and performance. To increase transparency, SARB also publishes a Monetary Policy Review twice a year, describing the bank's decisions (Carson et al., 2002). The country has relatively modest institutions and governance mechanisms. However, it struggled on several occasions to meet the set target.

Canada

Canada adopted a direct inflation target regime in 1991 with a joint announcement by the Bank of Canada (BoC) and the Government of Canada. Its experiences over the decade show that an inflation target provides an effective nominal anchor for monetary policy by reducing and stabilising inflation expectations. The average inflation rate in the 20 years preceding the introduction of IT was over 7%.

The BOC and the Minister of Finance agreed to an inflation-control target framework to guide the Canadian monetary policy in 1991. The target agreement has been reviewed several times, most recent in 2021 and ending in 2026. Indeed, inflation is targeted at 2%, the midpoint for a 1 to 3 per cent target range. The Bank of Canada and the Federal Government set the target jointly with eview every five years, while Bank's Governing Council is responsible for the conduct of monetary policy. The BOC announces its policy rate setting on fixed announcement dates eight times yearly. (BoC, 2024).

The joint agreement between the BOC and the government grants the bank operational independence to achieve the inflation target while emphasising inflation control, which ultimately remains a shared commitment of both parties. The Agreements also give the target a democratic legitimacy, further enhancing the target's credibility and helping to anchor inflation expectations. Thus, the Canadian Monetary framework is well-tested. Without question, sound, and like any good arrangement for economic policy, the 5-year inflation target agreement between the government and the central bank has enshrined a process of periodic review, assessment, and possible revision (Obstfeld et al., 2016). The regular, formal, and transparent review and renewal process leads to continual improvement of the framework and its implementation. It is one of the most successful IT regimes due to good institutions and quality governance.

New Zealand

The Reserve Bank of New Zealand Act (1989) and its associated institutional structure established primary objectives of maintenance of stability in the general level of prices in the country. The Act required the Governor and the Treasure to negotiate and agree on a Policy Target Agreement (PTA), an effective contract providing the Governor with performance indicators. The framework provides the basis for independence in goal, target, and instrument choices and establishes transparency and accountability for decisions on implementing monetary policy. The Act also require the bank to publish a Monetary Policy Statement at least every six months, report to and review by a Select Committee of Parliament explicitly to review the Bank's Monetary Policy Statements and implicitly to review its handling of monetary policy (Archer, 2000). The country has a perfect system and framework for the conduct of IT. It has recorded success in meeting the assigned targets for decades. On the Dincer-Eichengreen index of central bank transparency, New Zealand is among the top three central banks with the best IT regimes (Obstfeld et al., 2016). This is primarily attributed to the prevalence of sound institutions and quality governance.

Republic of Uganda

The Bank of Uganda (BOU) introduced an IT monetary policy framework in 2001. However, the 1995 constitution of Uganda conferred operational independence on the central bank. Controlling inflation with a publicly announced target for core or underlying inflation has been

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the BOU's primary objective of monetary policy since the 1990s'. BOU have constructed the IT framework around fundamental principles that have guided the development of operational procedures and policy setting. As a result, monetary policy has clear, coherent, and transparent objectives (Berg et al., 2018). The framework provides a mechanism for clearly signalling the stance of monetary policy to the public through public announcement of a policy interest rate. It also provides much greater scope for short-term fine-tuning of monetary policy through adjustment to the policy adjustment to the policy interest rate in response to macroeconomic shocks.

Uganda's experience and success relate to the fact that essential preconditions for adopting IT are that the central bank must have operational independence to set monetary policy and that controlling core inflation must be the unambiguous primary target of the monetary policy (Ibid). These factors helped shape BOU's monetary policy and establish its credibility as a central bank with a strong commitment to control inflation. However, as of 2022, average inflation was 4.1%, below the sub-Saharan Africa regional average of 9.4%. Currently, annual inflation has fallen to 3.3%, which is below the BOU target of less than 5%.

Republic of Turkey

The law of the Central Bank of the Republic of Turkey (CBRT) stipulates that the bank's primary objective is maintaining price stability (Ceritoğlu, 2009). In order to do this, the CBRT determines the monetary policy to be implemented and the instrument thereof at its discretion (Branco, 2007). Under the IT regime, which has been implemented since 2006,

Turkey opted for a gradualist approach to IT and switched to a floating exchange rate in 2001. It adopted an implicit inflation targeting using the interest rate as a policy instrument. This was followed by a sweeping reform, including an amendment of the central bank law in 2001, ensuring a critical precondition for IT-central bank independence was fulfilled. The revised law granted operational independence to CBRT with ensuring price stability as the primary objective of monetary policy. In 2002, the CBT adopted an implicit IT, which led to strong economic recovery and successful disinflation. Under this regime, the CBRT and Government jointly determine and announce the inflation targets to be attained over the next three years. Like most other IT central banks, CBRT uses short-term interest rates as the main policy instrument determined by the Monetary Policy Committee (MPC). The law also featured initial elements of central bank accountability and established a seven-member monetary policy committee (MPC). The institutional arrangement also required CBRT to brief Parliament and publish periodic monetary reports. Currently, CBRT operates with an inflation target set at 5%, and in an attempt to hit the target, the CBRT adjusts its policy interest rates. However, like many developing countries, Turkey has overshot its inflation target for several years.

Switzerland

The Federal Constitution of Switzerland mandated the Swiss National Bank as an independent central bank to pursue monetary policy as a primary objective. The mandate is explained in the

National Bank Act (Article 5 paragraph (1)), which requires the SNB to ensure price stability with the goal of overall economic development.

Switzerland does not have a formal inflation-targeting regime; however, it fashions its version of monetary policy, which has been successful for several years. However, despite the similarity with the standard inflation targeting framework, the Swiss framework does not contain an institutional commitment to an IT as the overriding objective of monetary policy(Olivei, 2002). The SNB is accountable to the Federal Assembly and the public. It publishes accountability reports annually based on its mandate and principle of independence. The SNB operational governance is geared towards the consistent implementation of these principles. There are also delineated roles between the Bank Council and the Governing Board. The Governing Board is responsible for the SNB monetary policy, among other statutory responsibilities, while the Bank Council oversees SNB's business activities. This arrangement establishes accountability without an institutional commitment to IT as the ultimate monetary policy objective. This institutional framework comprised the bank's independence and statutory mandate to help SNB achieve its inflation target.

Since 2000, SNB has considered price stability to be achieved with an annual inflation (CPI) rate of less than 2% and and bases its monetary policy decisions on a medium-term (three-year) inflation forecast (Ibid). In 2022, inflation in Switzerland hit a 29-year high of 3.5%, which is well below the double-digit rate of other advanced countries. It is projected to rise above the medium-term target of 5% throughout 2025. The risk of inflation is high, which has risen to 3.4%. However, despite the high inflation risk, the Swiss version of the IT is a rare success driven by the SNB statutory mandate and principle of independence.

Lesson from the Country Experience

The country experience has shown that each country has peculiar legal and institutional arrangements compatible with its democratic setting. The New Zealand and Switzerland in particular provide cases of a successful IT framework. The New Zealand version is built on a well-established legislative and institutional framework. The framework predates the conduct of IT and did not refer to IT targeting at the time of promulgation. However, It is correct to point out that while IT requires certain preconditions for implementation, it does not require the New Zealand version nor its legal and institutional framework. It, however, requires specific legal and institutional arrangements compatible with implementing the country's economic and democratic peculiarities. Sound institutional and legal framework often leads to the desired results in inflation targeting. Evidence in the literature has confirmed the relevance of good institutions in sustainable economic growth. Thus, legal and institutional frameworks are designed to;

- To establish a clear policy objective with autonomy, delineated roles and responsibilities required for efficient governance of an IT regime
- To drive accountability while maintaining the independence of the monetary authority.
- Institute transparency mechanisms in monetary policy decision

- Operationalise IT within the ambit of laws prevalent in a jurisdiction

Structural Composition of Existing Legal Framework for the Management of Monetary Policy In Nigeria

The foundational basis for the conduct of monetary policy is enshrined in the Central Bank Act of 1958 (as amended), which provided the earliest and arguably limited instrument autonomy to CBN. However, with the enactment of CBN (amended Decree No 3 and BOFI (Amended)) Decree No 4 in 1997 completely removed the bank's limited autonomy in conducting monetary and financial stability policies (CBN, 202. Furthermore, a measure of operational autonomy was granted to the Bank through CBN (Amended) Decree No. 37. The CBN Act (2007) provided full autonomy to ensure monetary and price stability and render economic advice to the Federal Government. The 2007 CBN Act is an act of Parliament (the National Assembly). Thus, through various amendments, the National Assembly established a basic legal framework for the existence of the CBN and the conduct of its statutory responsibilities through the following pillars.

1. statutory economic objectives for the conduct of monetary policy—Ensure price and monetary stability as embodied in the CBN 2007 Act.
2. Provision(s) that guarantees a degree of operational independence in the conduct of monetary policy as embodied in the same Act.
3. Provision(s) that guarantees transparency and accountability in the pursuit of the operational mandate as body in the same Act.
4. Supporting legal arrangement as enacted by the BOFIA 2020 as amended to ensure financial system stability.

Dissecting Legal Provisions Governing Monetary Policy in Nigeria

The 2007 CBN Act, which establishes the Central Bank of Nigeria, permit it to pursue appropriate tools in the management of the economy through the Monetary Policy Committee MPC). Various statutes which culminated in the 2007 Act. These includede the Central Bank Act, 1958 (as amended) and The Banks and Other Financial Institutions (BOFI) Decrees 24 and 25 of 1991 and thus constituted the legal framework within which the CBN operates to pursue its primary objective of ensuring monetary and price stability in the country.

Section 3 of the 2007 CBN Act explicitly stated that in order to facilitate the achievement of its mandate under this Act and the Banks and Other Financial Institutions Act, and in line with the objectives of promoting stability and continuity in economic management, there shall be an independent body in the discharges of its function. This provides the legal backing for autonomy, which is one of the pillars required for the conduct of IT. Additionally, under section 2, which covers the object of the bank, the Act mandates the bank to ensure monetary and price stability. The intent to implement IT as a monetary policy tool is covered under these sections. Section 1, subsection (1) stipulates that monetary and price stability should be ensured. The Act empowers the CBN to employ appropriate operating tools to ensure monetary and price stability. Subsection 12 (1) stated that to facilitate the attainment of the objective of price stability and to support the economic policy of the Federal government, there shall be a committee called the monetary policy committee, which has the responsibility of within the bank to formulate monetary and credit policy. The table below illustrates key provisions in the 2007 CBN Act governing IT-driven monetary policy in Nigeria.

Table 1: Key provisions in the 2007 CBN Act

S/N	Provision(s)	Explanatory Notes/Implication
1	Section 1, subsection (3)	Under the section 'Establishment of the Bank' provided the operational independence of the bank in terms of its operations.
2	Section 12(1) of the CBN Act	This section mandates the MPC to support the economic policy of the Federal Government
3	Section 2 (a)	This section mandates the bank to *ensure monetary and price stability*.
4	Section 12, subsection 1 Establishment of Monetary Policy Committee	This section bestows the responsibility of formulating monetary policy on the MPC

However, a deeper assessment of the Act revealed gaps that likely result in conflicting goals between IT targets and other monetary policy goals, including exchange rate stability, growth, employment, and financial system stability. The table below summarises some of the identified gaps;

Table 2: Identified gaps in the 2007 CBN Act

S/N	Identified gaps	Explanatory notes
1	Establishment of Monetary Policy Committee (which covers Section 12, subsection (1)).	This section bestows the responsibility of formulating monetary policy on the MPC. however, an additional provision should be added to support the existing governance structure of the committee, which shall directly support the conduct of IT
2	Weak transparency elements.	The existing provisions lack deeper transparency to penetrate the institutional layers that support IT in Nigeria, especially the National Bureau of Statistics, the Ministry of Finance, and the Central Bank of Nigeria.
3	Limited accountability provision makes it incompatible with best practice IT regime.	The framework has a limited provision of accountability when it comes to IT. The existing clause on accountability shall be strengthened to cover the IT process.
4	Shallow coordinating arrangements existing between monetary and fiscal authority	The coordinating mechanism between monetary and fiscal authority needs to be deeper and capable of instituting the pillars of transparency and accountability across the process that traverses the three key institutes*: the National Bureau of Statistics, the Ministry of Finance and the Central Bank of Nigeria.*

Policy Recommendation

Generally, the 2007 CBN Act's legal provisions provide a weaker mechanism to ensure appropriate transparency and accountability required for the best practice IT regime in a developing economy. Drawing from cross-country experiences, a developing economy like Nigeria requires more pronounced clauses/provisions to ensure greater transparency and accountability in line with best practices. Nevertheless, the literature taught us that an IT regime does not require a separate institutional arrangement from the existing one. It also confirmed the relevance of good institutional governance in driving economic objectives. Indeed, the cost and uncertainty that poor governance generates undermine the business climate, limiting domestic and foreign investments and opportunities for growth (Ivanyna & Salerno, 2021), which deviates target performance away from meeting the set target. However, the nature of the institutional mechanisms, which could be more robust and coupled with the quality governance in Nigeria, requires a fit-for-purpose framework for the conduct of IT. The table below recommends a review of the following provisions to facilitate the conduct of a fit-for-purpose IT in Nigeria.

Table 3: Recommended amendments to key provisions in the CBN Act

S/N	Provision(s)	Explanatory Notes	Supposed Amendments
1	Section 2 (a)	*ensure monetary and price stability.*	This provides the basis for the pursuance of IT in Nigeria. However, the Act shall mandate CBN to pursue IT as the ultimate monetary policy target.
2	Section 1, subsection (3) Under the Establishment of the Bank section, the operational independence of the bank in terms of its operations is provided.	*(3) In order to facilitate the achievement of its mandate under this Act and the Banks and Other Financial Institutions Act, and in line with the the objective of promoting stability and continuity in economic management, the bank shall be an independent body in the discharge of its functions.*	In the spirit of accountability, the bank shall be mandated to transmit IT reports and explain reasons in case the inflation target is missed. This balances the provisions on independence with accountability in line with the IT best practice.
3	Section 12, subsection (1) Establishment of Monetary Policy Committee	*in order to facilitate the attainment of the objective of price stability and to support the economic policy of the Federal Government, there shall be a Committee of the Bank known as the*	Additional supporting governance arrangements shall be added along with the MPTC and MPIC to support MPC in pursuance of the IT.

		Monetary Policy Committee (in this Act referred to as "the MPC").	
4	Section 35 under matters relating to the publication of monetary policy rate.	*The bank shall make its monetary policy rate public at all times.*	There shall be a provision mandating the bank to publish a periodic Inflation report.
5	Section 50, subsections 1,2, 3,4,5, and 6 which covers the publication of Annual Accounts and Reports	Specifically, *section (2) mandated that a report required to be submitted to the National Assembly and the President.*	The bank shall also be mandated to periodically transmit IT report to the Presidency to ensure accountability in line with IT best practices. This will convey transparency as to whether the target is met or missed.

Amendmending these provisions will strengthen the optimality of existing legal and institutional frameworks in developing economies to ensure efficient and effective implementation of any IT-driven monetary policy framework. To achieve optimal institutional efficiency, policymakers must ensure clarity for policy Independence, improve legal mechanisms to ensure appropriate transparency and accountability and strengthen governance mechanisms to accommodate the conduct of IT in the existing legislation. Thus, developing countries like Ghana and South Africa, struggling with target overshooting, should undertake an institutional revamp to optimise their legal and institutional framework to ensure efficient governance and structural setting, ensuring efficiency in target setting, monitoring and evaluation. The benefits of institutional revamping around IT governance include improving clarity and recognition, accountability and transparency in implementing IT objectives. It also creates confidence in the overall regulatory framework.

CONCLUSION

This paper explored the existing legal and institutional framework for IT in Nigeria to understand the legal and institutional framework for IT in developing and emerging economies. It found that legal and institutional frameworks enable policymakers to establish a clear policy objective with autonomy, delineated roles and responsibilities around institutional commitments. Evidence from the cross-country experiences and review of the legal framework that embodies provisions for monetary policy in Nigeria suggests that ambiguous legal provisions, low-quality governance, and potential coordination pitfalls threaten the IT frameworks that deliver results. Countries like Ghana, Turkey, and South Africa, which are struggling with weak institutions and target overshoot, should embark on institutional revamping to optimise their legal and institutional framework to ensure efficiency in target setting, monitoring and evaluation.

Declarations
I declare that there is no competiting financial or non-financial interst that might have influenced the work in this paper. The views expressed herein are solely those of the author and does not reflect the views of the affiliated institution.
Additionally, I declare that no funding was obtaine for this study.
I also confims that all data generated and analysed during this study was extracted from the CBN 2007 Act which is accessible at https://www.cbn.gov.ng/

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