Zenith Economic Quarterly

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Cash-Less Economy:

Imperatives For Legal and Regulatory Framework

INSIDE

Towards Nigeria's Economic Growth: What Role For The Maritime Industry?

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From the Editorial Suite

Dealing with Legal Desiderata

It is no longer news that the Central Bank of Nigeria (CBN) has introduced a new policy on cash-based transactions which stipulates a ‘cash handling charge’ on daily cash withdrawals or cash deposits that exceed N500,000 for individuals and N3,000,000 for corporate bodies. The pilot phase of the programme has since January 2012 been running in Lagos only. The new policy essentially aims at reducing the amount of physical cash circulating in the economy and encouraging more electronic-based transactions. In deed, it is an introduction to a “cashless economy”; that is, enthronement of e-commerce in all its ramifications: payments for goods, services, transfers, etc.

But while the e-transactions is the driver in the new payments regime, virtually all of Nigeria’s extant laws and regulations do not provide for the electronic element in commercial dealings. It is the dispassionate concern for, and appreciation of the potential impact of these desiderata that are expressed in our article: “Cashless Economy: Imperatives for Legal and Regulatory Framework”. In it, the author says pointedly that there is no law that directly and exclusively deals with payment systems in Nigeria, insisting that electronic signatures and the recognition of electronic records in legal proceedings in the country are yet issues of lingering legislative debates.

The magnitude of the subsisting huge legal and regulatory gaps are evident in such areas as determination of local jurisdiction, applicability of contractual obligations, admissibility of electronic evidence and probative value of digital documents, and electronic determination of title. Admitting that the **Electronic Transactions Bill 2011** before the National Assembly could close some of these legal lacunae, the author posits that the Bill deserves ‘the urgency of now’ in view of the impending payments regime.

Also, deep concern for the place of the maritime industry in the country’s march to becoming one of the world largest economies in the next eight years similarly drew our focus on that ‘potential gold mine’. Unarguably, the industry, one of Nigeria’s most strategic, second only to oil and gas in revenue generation, has been operating sub-optimally in the past few decades. Thus, in the piece: “Towards Nigeria’s Economic Growth: What Role for the Maritime Industry?” the author notes that for Nigeria to benefit optimally from a globalizing world economy where foreign products symbolises status, the country must be an active player in the shipping of products to and from its shores. Regrettably, Nigeria which had 24 ocean going vessels in its fleet in the 1970s, boasts of none at present.

It is however the belief of the author that with recent policy initiatives and efforts at attracting foreign investments into the nation’s maritime industry, some light is already seen at the end of the tunnel. Specifically, Hyundai Heavy Industries—one of the world’s largest shipbuilders—recently signed an agreement to build a US$7 billion ship yard in Nigeria.

In a related treatise titled “Global Economy and Migration: Current Issues and Trends”, we analyse the thorny and touchy issue of movement of people into and across various geographical locations in the world especially since the global economic meltdown four years ago. The United Nations estimates that about 200 million people worldwide live outside their countries of birth. While migration has been as old as human existence itself, recent developments in various parts of the world actually exacerbated the magnitude of the phenomenon. Some of these issues include the Arab Spring, rising cases of terrorism, Euro-zone debt crisis, the Greece factor, improving economic situation in many emerging economies, among others.

While migration has been as old as human existence itself, recent developments in various parts of the world actually exacerbated the magnitude of the phenomenon.

But more than any of these factors, the political dimension to migration in various countries, especially the developed nations seem to play the most critical role. For instance, in the industrialized countries, no political manifesto is complete without a comprehensive policy on immigration issues. The U.S. is a typical example. But with the positive economic strides of many emerging markets in recent years, there have been noticeable alteration to migration flows: there is reduction in emigration, a surge in South-to-South migration and a North-to-South movement of highly skilled workforce. Overall, the growing trend could mark not just the beginning of another era in economic paradigm but also in the future of migration flows.

In our various other sections and titles, a number of topical issues are analysed. There is the “Due Process and Accountability: Advance Fee Fraud” under which the ramifications and methods of the dreaded ‘419ners’ is discussed. Other topics include “The Past is a Foreign Country: They Do Things Differently There”, “Economy Remains Upbeat, Gaining Traction”, “Climate Change and Nigeria: Some Challenges and Possible Gains”, etc. Without any iota of doubt, you have another *un-put-down-able* package in your hands. Stay enriched!

Marcel Okeke

from our mailbox

I am directed to acknowledge with thanks receipt of the Zenith Economic Quarterly and we wish to inform you of the abundant value of the information it has added in the course of our numerous assignments.

We look forward to much more of this and more innovative ideas.

Warm regards.

Bankole I. Alayande
For: Ambassador
Embassy of the Federal Republic of Nigeria, Germany

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Accept our warm wishes and assurance that the materials would be put for public use.

Best regards.

Yours faithfully,

Ibrahim Is-Haq
Librarian
Central Bank of Nigeria, Kano

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I have gone through the journal and found it quite educative. I would, therefore, like to use this opportunity to commend your Editorial Board and Zenith Bank Plc for producing such a high quality journal.

I am convinced that if you sustain this effort, it would go a long way in enhancing the knowledge of the public and raising the profile of the bank.

Yours truly,

Oladimeji Alo, PhD
President/Chairman of Council
Chartered Institute of Personnel Management of Nigeria

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It is indeed educative and interesting.

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(Bello I. Tafashiya)
For: Auditor General
Katsina State Government

I am directed to acknowledge with thanks the receipt of the above quarterly, which is full of detailed economic, political and social issues currently being handled by this nation.

We look forward to receiving more of such reports in the future from your end please.

Thank you.

(A.G. Yargawa)
For: Secretary to the State Government Adamawa State Government

It is with much pleasure that we acknowledge the two copies of your publication (Zenith Economic Quarterly) which you donated to Crawford University Library recently.

We are quite certain that the title will be very useful to both students and staff of this Institution. We are grateful for this contribution to the development of Crawford University and we pray for God's blessings over you.

Thank you,

For: Dr. M. A. Olaosun
University Librarian
Crawford University, Faith City, Ogun State

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We appreciate your kind gesture in providing the University with this Publication.

Thank you.

Yours faithfully,

Ainodion Wosilatu
Assistant Registrar
For: University Librarian
Office of the Librarian/Director Instructional Resources, National Open University of Nigeria

I am directed to acknowledge receipt of a copy of the Zenith Economic Quarterly (ZEQ) publication.

I am to add that the Mission continues to find your publication an important source of information.

Please accept, Editor, the assurances of His Excellency's High consideration and esteem.

Shehu Mohammed
For: Ambassador
Embassy of the Federal Republic of Nigeria, Burkina Faso

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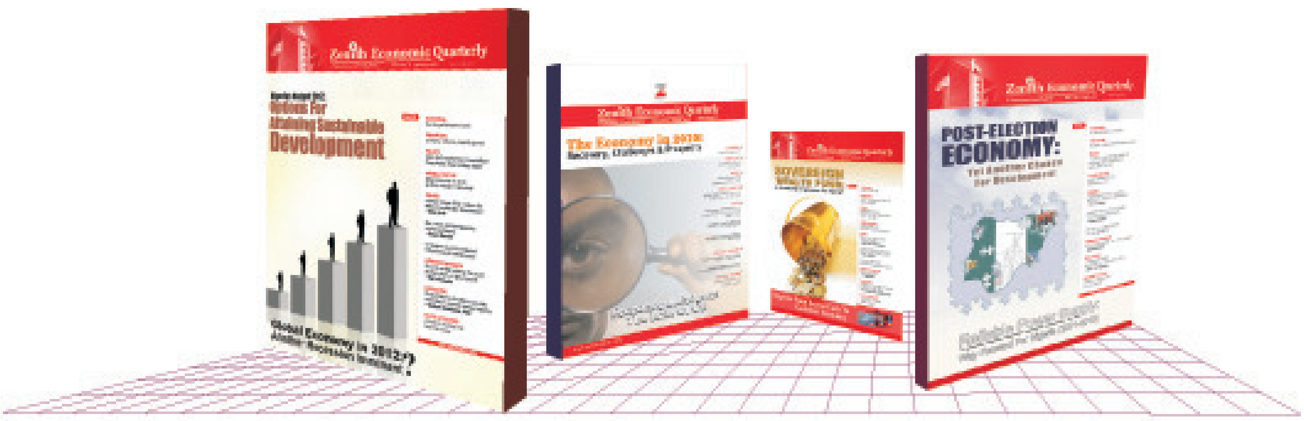


Economy Remains Upbeat, GAINING TRACTION

*By Marcel Okeke

In its World Economic Outlook (WEO), April 2012 edition titled "Growth Resuming, Dangers Remain", the International Monetary Fund (IMF) said the global economic outlook is gradually improving, but downside risks remain high after suffering a major setback in 2011. It added that improved activity in the United States (US) during the second half of 2011 and better policies in the Euro-area in response to its deepening economic crisis have reduced the threat of an acute global slowdown.

The Nigerian economy from all indications outperformed this level of the IMF optimism during the first quarter 2012, and indeed holds a good outlook for the rest of the year. This is in spite of the fact that the period under review was marked by partial removal of subsidy on Premium Motor Spirit (PMS) and its aftermath in form of a nationwide strike during the second week of the quarter. The IMF in its Article IV Consultation on Nigeria also stated that a modest fiscal consolidation took place in the economy in 2011, adding that the medium-term growth outlook for the country remains favourable, although subject to external downside risks. It commended the Federal Government of Nigeria (FGN) for its countercyclical policies that have supported economic activity in challenging circumstances. It therefore emphasized the continued need for policies to safeguard macroeconomic stability, diversify the economy, and make growth more inclusive.

But specifically during the quarter under review, the much awaited passage of the 2012 Appropriation Bill by the National Assembly was completed with Presidential accent, marking the effective commencement of disbursement of capital votes for the year. The high and increasing price of crude oil in the international market during the period, as in all quarters last year, translated into some accretion to external reserves which further reflected in Naira stability in the foreign exchange market. In deed, the value of the Naira appreciated in all the three segments of the foreign exchange market against the US Dollar in the quarter under review. Reduced demand of foreign exchange by oil marketers (PMS importers) following the probe of oil subsidy scam and continued focus by the CBN on maintaining a managed float of +/- 3 per cent band limit, all helped in stabilizing the value of the Naira.

Thus, at the inter-bank market, the Naira appreciated by 1.67 per cent to close at N157.72/US$1 from N160.40/US$1 at the end of March, 2012. In the parallel market the value of Naira also appreciated by 3.64 per cent to close at N159.00/US$1 from N160.73/US$1 at the end of March, 2012, while at the official market, the value of Naira appreciated by about 0.44 per cent to close at N156.01/US$1 from N156.07/US$1 during the same period.

In a similar trend, Nigeria's external reserves as at March 30, 2012 stood at US$35.6 billion, representing an increase of 7.17 per cent, compared with US$33.22 billion as at March 31, 2011. And contrary to expectations, the inflation level remained generally flat at about 12 per cent in the quarter under review—although still higher than the 2012 budget target of 9.5 per cent. Specifically, the Composite Consumer Price Index (CPI)—inflation rate—for March 2012, according to the National Bureau of Statistics (NBS), stood 12.10 per cent, a slight increase from 11.9 per cent recorded in February 2012. The level was 12.6 per cent in January.

In terms of Gross Domestic Product (GDP) growth, provisional data from the NBS show that the economy grew by 6.17 per cent, down from 7.68 per cent in the last quarter 2011. But a comparative analysis by the NBS also shows that only two countries (Mongolia at 14.9 per cent and China at 8.9 per cent) out of the 46 countries that had released their fourth quarter 2011 GDP estimates as at the time of the NBS' report grew faster than Nigeria and only one – China, is ahead of Nigeria in GDP rankings. This position in GDP trend brings Nigeria closer to its Vision 20:2020 objective of being among the biggest 20 economies in the next eight years. According to the NBS, most of the countries Nigeria needs to surpass to achieve this goal by GDP continued to either grow slower than previous estimates during their visioning process, or register negative growth.

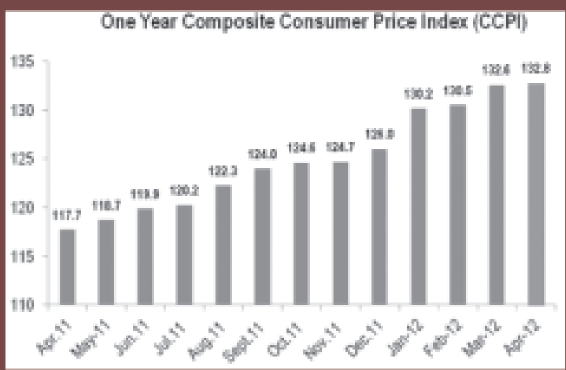
Another highlight of the quarter under review is the character of the Appropriation Act 2012 enacted by the National Assembly: oil price benchmark raised to US$72 per barrel as against US$70 per barrel proposed in the Bill. The expected increase in revenue as a result of this also reflected in increase in aggregate expenditure by 2.7 per cent, essentially on capital vote, while there is a cut in recurrent expenditure.

At the close of the quarter under review, Nigeria's total public debt stood **at US$44.28 billion (N6.88trillion), according** statistics from the Debt Management Office (DMO) as against N6.51 trillion as at December 31, 2011. A breakdown of this sum shows that the domestic debt component stood at US$38.37 billion (N5.97trillion) while the external debt US$5.91billion (N919.44 billion) as at March 31, 2012. Further details of the external debt balance show that multilateral financial institutions accounted for 83.28 per cent of the country's total debt with the International Bank for Reconstruction and Development-a member of the World Bank Group-owed US$6.31million.

Another member of the group, the International Development Association is owed US$4.29 billion while the International Fund for Agricultural Development is owed US$70.25million. The African Development Bank is owed US$43.55million, while the African Development Fund is owed US$387.23million. Non-Paris Club debt sources account for 8.26 per cent of the nation's external debt, which includes European Development Fund, US$110.08million; and the Islamic Development Fund, US$14.56million. Bilateral loans account forUS$433.84 million, while commercial loans contribute US$54.63million. The US$500million which Nigeria borrowed from the International Capital Market in early 2011 accounts for the remaining 8.26 per cent of the external debt.

Details of the domestic debts, on the other hand, showed that FGN bonds accounted for N3.67trillion or 61.44 per cent of the money borrowed by the Federal Government from internal sources. Nigerian Treasury Bills account for N1.95trillion or 32.63 per cent, while treasury bonds account for N353.73million or 5.93 per cent. The Federal Government had however adopted fiscal consolidation, starting from 2011 fiscal year which includes reduction of fiscal deficit and domestic borrowing. This is intended to create more space for the private sector and reduce pressure on interest rates in the system. The Medium Term Expenditure Framework (MTEF) of the FGN has also programmed domestic borrowing to decline progressively to N461.75 billion by 2015. In the MTEF the programmed external borrowing for the period 2012-2014 is US$7.9billion.

The holistic reform effort of the Federal Government maintained a crescendo during the first quarter of the



In terms of Gross Domestic Product (GDP) growth, provisional data from the NBS show that the economy grew by 6.17 per cent, down from 7.68 per cent in the last quarter 2011.

year, especially in the agriculture and power sectors. This reflected in improved results in various agric and power schemes and programmes. Specifically, the activities of the N200 billion Commercial Agricultural Credit Scheme (CACS) of the Central Bank of Nigeria (CBN) show that a sum of N10.71 billion was disbursed by nine banks in March 2012 alone. Abia state accessed N1.0 billion while Rivers and Bauchi State Governments accessed additional N3.0 billion and N1.0 billion respectively during the month. With these, the number of state governments participating in the scheme rose to 29. The state governments get the funds for on-lending to farmers' unions, cooperatives and financing other areas of agric needs in the states. The apex bank had instituted the CACS fund in April 2009 to improve agricultural production in the country.

Also reflecting the increasing tempo of activities in the agric sector in Nigeria is the country's export data. Thus during the quarter under review, bilateral trade data between the United States (US) and countries of the Sub-Saharan Africa (SSA) show that Nigeria remains the top exporter to the US under the African Growth Opportunity Act (AGOA). The first quarter 2012 trade data released by the US International Trade Commission show that Nigeria's export under the AGOA was US$3.8 billion—trailed by Angola with US$2.5 billion, South Africa US$0.86 billion, Chad US$0.72 billion, Congo (ROC) US$0.48 billion, Gabon US$0.11 billion, among others. The AGOA was passed as part of the Trade and Development Act of 2000 by the US to facilitate two-way trade between the US and SSA.

In pursuit of the agric transformation agenda, the Federal Government, under its Growth Enhancement Scheme (GES) also during the period under review, embarked on N30 billion procurement deal for seeds and fertilizer for farmers in all parts of the country. Under the scheme which has been flagged-off by the Ministry of Agriculture and Rural Development, the procurement and distribution would be done through an electronic channel—the e-wallet—covering mainly cereals like rice, maize and soy beans. The e-wallet, under the scheme, will enable the farmer redeem his part of the GES which is 50 per cent while the Federal Government and the state governments pay 25 per cent apiece. A memorandum of Understanding (MoU) had been signed by the Central Bank of Nigeria, the Ministries of Agriculture and Finance and the commercial banks in pursuit of this scheme targeted at mainly the small-holder farmers. Under this scheme which is also private sector driven, Government would not be involved in the selection of fertilizer and seed suppliers for the state governments, and each local government would own its agro-input dealers—who are partners to the suppliers—not government workers.

The focus on the agric sector by the Government has also been attracting support from within and outside the country. Thus, according to the Minister of Agriculture, Akinwumi

U.S. imports under the AGOA, year-to-date Jan – Mar, 2012 (US$ 'billion)

Country	TOTAL 2010	TOTAL 2011	TOTAL 2012 YTD	AGOA including GSP provisions 2010	AGOA including GSP provisions 2011	AGOA including GSP provisions 2012 YTD
Nigeria	**29.977**	**33.835**	**4.051**	**25.158**	**31.009**	**3.757**
Angola	11.779	13.756	2.904	9.838	11.834	2.486
South Africa	8.199	9.473	2.098	3.102	3.797	0.856
Chad	2.038	3.189	0.802	1.640	3.017	0.720
Congo (ROC)	3.309	2.377	0.502	1.936	1.935	0.477
Gabon	2.223	4.432	0.245	1.124	0.478	0.107
Cameroon	0.298	0.322	0.147	0.144	0.174	0.098
Lesotho	0.299	0.384	0.079	0.280	0.314	0.072
Kenya	0.311	0.380	0.083	0.225	0.293	0.063
Mauritius	0.196	0.250	0.061	0.129	0.169	0.044

Source: US International Trade Commission

Adesina the World Bank is committing N139.5billionn (about $900 million) to help in ensuring food security in Nigeria. One of the largest tractor companies in the US is also about to start the establishment of tractor assembly plants in Rivers and Kaduna States. Nigeria needs over 300,000 tractors for mechanized farming with only about 20,000 currently available. In a similar vein, Nigeria has been included as one of the benefiting countries in President Barack Obama's Feed the Future Initiative.

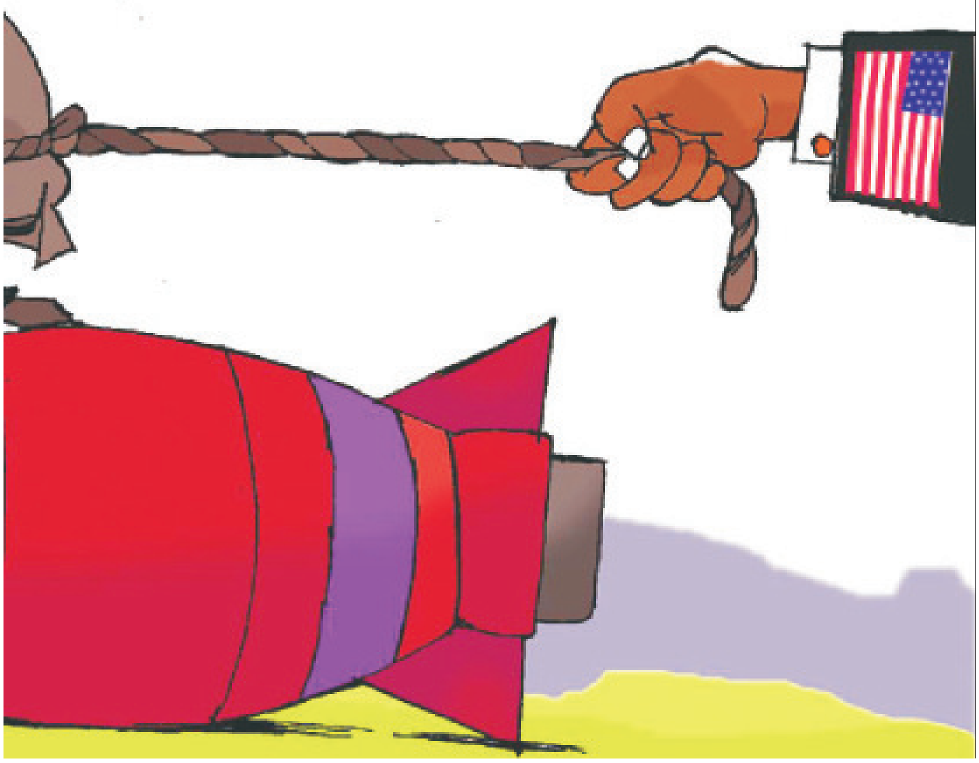
THE CAPITAL MARKET

The capital market did not record any appreciable progress during the first quarter 2012, despite much expectation to the contrary. In deed, activities in the market closed on a negative note, making a net loss of about N17.25 billion against market net worth (market capitalization) of N6.54 trillion. Low investor confidence, illiquidity amid weak market fundamentals sustained the unimpressive performance of the market during the period. The key indicator, the Nigerian Stock Exchange (NSE) All-Share Index (ASI) which opened the quarter at 20,730.63 points closed at lower at 20,652.47. However, it is noteworthy that the banking sector experienced an initial rally as investors were taking position in anticipation of strong full year (2011) results from the banks.

But against this backdrop, only a few banks and companies within the consumer sector achieved impressive results –this was not sufficient to stem the sell-off in the market as investors' confidence remained dampened. In terms of trading activities, total shares of 18.61billion worth N140.71billion were traded in 203,586 deals in first quarter 2012, compared with a total volume of 26.07billion worth N214.55billion traded in 407,248 deals in same period in 2011. This showed a decrease of 28.61per cent in terms of volume, 34.42 per cent depreciation in value and a 50.01per cent decrease in the number of deals compared with the corresponding period of 2011. In the bond segment of the market, the DMO moved to reduce the funding pressure on the Federal Government; it issued a total of N193.66 billion worth of 10-year Federal Government of Nigeria (FGN) Bond—with maturity of between six to 10 years. As at the end of first quarter 2012, the DMO, on behalf of the FGN, had offered a total of N209.76billion worth of FGN Bonds, all of which were 10-year Bonds. The average marginal rate in the period was put at 16.02 per cent. The subscription level stood at 182.30 per cent, while the total amount of FGN Bonds sold in the period under review was N243.66 billion.

During the quarter under review, there was a public hearing on the Nigerian capital market by the House of Representative Committee on the capital market. This move took a controversial dimension, leading to the replacement of the membership of the standing committee by an ad-hoc one which resumed the hearing at a much later date. In the face of all these however, both the Securities and Exchange Commission (SEC) and the Nigerian Stock Exchange (NSE) carried on with their reform efforts. Thus with the approval of the SEC, the NSE had come up with a revised listing requirement and selected market makers—to assist with the liquidity of the market. Similarly, a new Exchange web site was

The consistently high oil price in the international market, as already pointed out, remained all through the period under review, with crude oil price climbing to a record high of US$124.64 per barrel in March 2012.



launched during the quarter as a comprehensive platform for communicating with all NSE stakeholders; while the bourse also commenced a financial literacy campaign tagged "Investor Clinic", among others.

OIL AND GAS, POWER & ELECTRICITY

Nigeria's crude oil production, according to the Organization of Petroleum Exporting Countries (OPEC) stood at an average of 2.07 million barrels per day (mbpd) during the first quarter 2012. Although this is an increase of about two per cent from 2.03 mbpd recorded in fourth quarter 2011, oil production remained generally below the level in the first half 2011. This is attributable to, among others, some resurgence of militancy and maintenance activities—necessitating major facility shutdown in the sector during the second half of 2011. Specifically, the country's crude oil output dropped to 2.040 mbpd in February 2012 from 2.054 mbpd in January 2012; that is a volume drop of about 14, 3000 barrels per day.

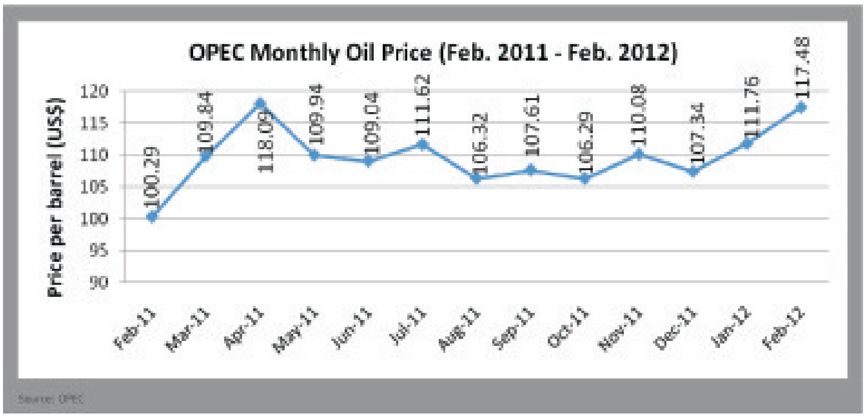
The consistently high oil price in the international market, as already pointed out, remained all through the period under review, with crude oil price climbing to a record high of US$124.64 per barrel in March 2012. Over all, crude oil prices remained significantly higher than the revised 2012 budget benchmark of US$72 per barrel. Consequently, the OPEC Reference Basket (ORB) for the third consecutive month sustained its high month-on-month gain in March 2012 to settle at US$122.97/b, the highest monthly average since the all-time high of mid-2008. The increase in the ORB was essentially supported by supply disruption in Europe and the tension around the Middle East and North Africa (MENA) region, improving economic data from the US and China and political factors around the Iranian nuclear programme. On the other hand, signs of adequate supply, higher refined product prices in major consuming countries, along with the readiness of Western governments to release strategic crude reserves and the slowing pace of global economic growth, particularly in the Euro-zone, did not affect increase in crude oil price. Given the uncertainties surrounding the global economy, the forecast for world oil demand growth has however been revised down from an initial 1.3mb/d to 0.9mb/d. In line with this trend OPEC in its Monthly Oil Market Report for April 2012 revised downward its global economic growth forecast to 3.3 per cent for 2012 from 3.4 per cent released in its March 2012 report.

In the downstream sector of the oil industry in Nigeria, the Federal Government made significant moves, especially with respect to getting the existing refineries to function better. In deed, what amounts to a major feat was achieved early this year when the fluid catalytic cracking unit (FCCU) of the Kaduna Refining and Petrochemical Company (KRPC) was repaired locally and restarted after almost ten years of dormancy, hence adding about three million litres to in-country production of PMS. Similarly the NNPC/Total JV Usan Floating Production and Storage System (FPSO), the fifth in Nigeria's deep offshore region was also commissioned during the period under review and is currently producing about 103,000 barrels of oil per day. Also the Federal Government's effort at encouraging indigenous participation in the oil and gas industry yielded positive results with the establishment of an oil terminalling facility (the Ebok terminal)—with current daily crude oil production of 7,000 barrels per day. A thousand barrels per day crude oil topping plant to produce diesel was also completed and commissioned by an indigenous oil company.

In the efforts to improve transparency, accountability and efficiency in the oil and gas sector, the Petroleum Resources Minister during the period under review set up a number of ad-hoc committees to come up with recommendations on various aspects of the industry. The Minister, Diezani Allison-Madueke, while inaugurating the Special Petroleum Industry Bill Task Force said it was as a result of 'listening to the voices of the people of Nigeria when, over the last few weeks, they spoke in unison' for accelerated reforms in the oil and gas industry. She also set up the National Refineries Special Task Force to 'ensure self-sufficiency of petroleum products in Nigeria within a strong framework in the shortest possible time'. Also put together by the Minister was the Special Task Force on Governance and Controls in the Nigerian National Petroleum Corporation (NNPC) and other parastatals within the Ministry.

During the quarter under review, the Nigerian Electricity Regulatory Commission (NERC) signed into effect regulations for two critical license types that would allow independent interests to generate and distribute power. This is aimed at speeding up capacity development and deployment in the sector, such that efficient and competitively-priced electricity would be available to Nigerians in due course. The two regulations specifically present a clear legal and regulatory framework for Embedded Generation (EG) and Independent Electricity Distribution Network (IEDN). The EG license allows the generation of electricity that is directly connected to and evacuated through a distribution system which is connected to a transmission network operated by a System Operations Li-

OPEC Monthly Oil Price *(Feb 2011Feb 2012)*



cense (SOL), while IEDN is a distribution network located within operational area of a distribution area of a distribution network owned and operated by a licensed successor distribution company. With this regulation, NERC can allow distribution companies to contract power around themselves, to increase power supply and also reduce losses and address the issue of power supply stability.

Also, towards the privatization of the Power Holding Company of Nigeria (PHCN), the Bureau of Public Enterprises (BPE) in March 2012 issued the revised industry and transaction documents to the bidders—152 potential investors . They are to invest in the 17 successor companies created from the unbundling of the PHCN.

The revised industry and transaction agreements are the products of extensive review process and working between the BPE and key stakeholders in the power sector, including a retreat in Enugu in November 2011. The Manitoba Hydro International of Canada had also in March 2012 won the contract to mange the Transition Company of Nigeria (TCN) at a negotiable fee of N3.7 billion for the next three years. The company's financial bid to manage the TCN which was opened in Abuja by the National Council on Privatization and the BPE marked a breakthrough in government's effort to get competent firms to manage the 18 successor companies pulled out from PHCN.

The Multi-Year Tariff Order (MYTO) Phase Two of the Nigerian Electricity Regulatory Commission (NERC) which was to come into effect by end-March 2012 was postponed to take effect June1. The MYTO is the regulation established by NERC to set the electricity prices (tariffs) in Nigeria. MYTO 1 has been in existence since 2008 and has been reviewed to reflect the current realities of the Nigerian Electricity Supply Industry (NESI). MYTO 2 is scheduled to come into effect in June, implying higher tariffs for all electricity consumers. Even with this, NERC has negotiated a Federal Government subsidy for electricity tariffs amounting to N60 billion in 2012 and N50 billion in 2013, to cushion the effect of the new tariff regime on the consumers. NERC is also in the process of developing a Renewable Energy Framework which will encourage.

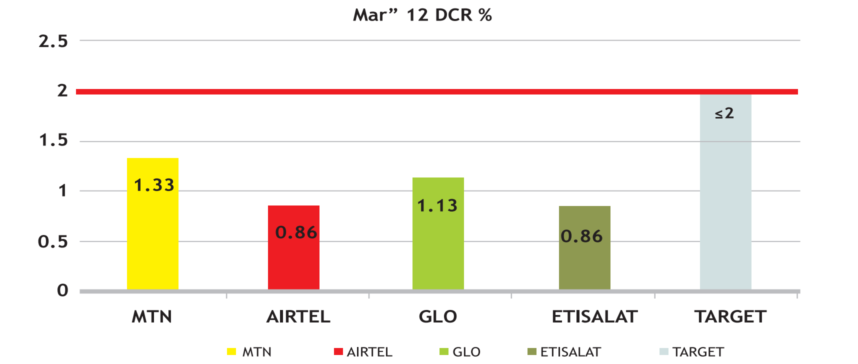
TELECOMMUNICATIONS

Activities in the telecommunications sector remained upbeat all through the first quarter 2012, with the number of connected telephone lines and active lines on the increase. Data from the Nigerian Communications Commission (NCC) show that total connected lines (made up of the GSM, CDMA and Fixed Wires/Wireless) rose from 128 million in January 2012 to 131.8 million in February, and further to 134.9 million in March. In each of the months, the GSM segment accounted for over 80 per cent of the connected lines. Similarly, the active lines were also on the increase all through the period: from 96.1 million in January to 96.6 million in February, and to 99.1 million in March. Installed capacity of the sector also increased in the same pattern, just as teledensity rose from 68.68 in January to 69.01 in February, and stood at 70.82 in March.

This growth trend has however been in the face of some daunting challenges, both from the regulator and operators' perspective. In deed, according to the NCC, the sector has been "burdened and dwarfed" by worsening quality of service, multiple taxation and deteriorating power supply, among others. This notwithstanding, the NCC took a number of initiatives to move the industry forward. For instance, the SIM card registration which began in March 2011 was concluded during the period under review. Over 110.40 million SIM cards registered under the exercise are now undergoing processing, cleaning and verification at the NCC. Subsequent to this is the implementation of a robust Mobile Number Portability (MNP) which is already at an advanced stage of actualization. This project is intended to broaden the choices available to subscribers and impose a code of behaviour on the operators for them to retain their patronage.

The seemingly intractable poor quality of service (QoS) by the operators also began to receive serious attention from the NCC during the period under review. The regulator secured the approval and gazetting of the Quality of Service Regulations by the Federal Ministry of Justice, which empowers the NCC to take some severe measures when service providers are found wanting. The NCC has also engaged the services of seven Drive-Test contractors to carry out quality of service drive-testing in the six geopolitical zones and Lagos. In addition to this, the NCC's Monitoring and Enforcement team has begun either shutting down the activities of illegal users of spectrum or engaging importers of handsets that are not type-approved. The NCC since the beginning of this quarter has been publishing the

Drop Call Rate Survey, March 2012 by Nigerian Communications Commission (NCC)



Source: NCC (NCC DCR Target d" 2%)
• All the Operators met and superseded the Commission minimum threshold in the period under review. Drop Call Rate across board shows marginal improvement. • AIRTEL and ETISALAT tied in recording the best performance in the period under review.

Key Performance Indicator (KPI) reports on the GSM and CDMA operators in the industry. These reports contain such indicators as Call Drop Rates (CDR), Call Completion Rate (CCR), Call Setup Success Rate (CSSR), Handover Success Rate (HoSR), Traffic Channel Congestion (TCH), etc.

In March 2012, for instance, the NCC's QoS report show that all the operators failed to meet the Commission's target with respect to HoSR (NCC HoSR Target e"98%). GLO recorded the best performance with an 'almost good' performance when compared to the Commission's minimum threshold and with others in the period under review. AIRTEL, according to the NCC can be said to have recorded a fair performance when compared with Commission's minimum threshold in the period. On CDR in March, all the operators met and surpassed the Commission's minimum threshold in the period under review. Drop Call Rate across board shows marginal improvement.

AIRTEL and ETISALAT, according to the NCC tied in recording the best performance in the period under review.

BANKING AND FINANCE

The rash of recapitalization and mergers and acquisitions (M & A) that ruled the banking sector all through 2011 virtually came to a close with that year. Thus, during the first quarter 2012, for most of the banks involved in the M & A, integration process continued in the areas of information technology, operational activities and rightsizing of workforce. The Central Bank of Nigeria (CBN) pilot cash policy tagged "cash-less Lagos" commenced on April 1, 2012 and is to run until December 31, 2012. It is expected to go nationwide on January 1, 2013. Following public opinion and anticipated hitches, the apex bank almost at the take-off of the programme, effected some amendments to the initial guidelines. For instance, the daily limit for cash withdrawal and deposits by individuals and corporate bodies have been raised to maximum of N500, 000 and N3 million respectively from the initial N150, 000 and N1million. The CBN also announced exemptions to the cash-less policy—by this, all donor agencies and embassies in the country are exempted from penalties and charges on cash withdrawals and deposits. Diplomatic missions and multilateral agencies are also exempted from the prescribed penalties and charges. Ministries, Departments and Agencies (MDAs) of the Federal and state governments have also been exempted on lodgements for accounts operated by them for the purpose of revenue collections only.

As the new cash-less policy was taking off, the apex bank also made further adjustments to the guidelines, as it affects the microfinance banks and the primary mortgage institutions (PMIs). Specifically, the CBN informed that because both deposit-taking groups are expected to honour the withdrawal requests of their customers and also meet other obligations, the cash withdrawal/deposit limit will not be applicable to them. The PMIs and the microfinance institutions, classified as specialized banks under the new CBN banking model, are excluded from the policy of N3 million a day maximum withdrawal limit set for corporate bodies. According to the CBN: " PMIs and MFBs are specialized banks as defined under the new banking model which have customers that maintain savings, demand and time deposit account with them. As deposit-taking institutions, they are obliged t honour the withdrawal request of their customers and other mature obligations".

Also during the quarter under review, Nigeria's first licensed Islamic Bank—Jaiz Bank Plc—commenced full operation of non-interest commercial banking in Nigeria, from three branches in Abuja, Kaduna and Kano. At the bank's inaugural Annual General Meeting (AGM), Chairman of the Bank, Alhaji Umar Mutallab said: "the whole idea of this banking option is to bring more people into banking in Nigeria that provides banking without interest".

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CENTRAL BANK OF NIGERIA MICROFINANCE POLICY FRAMEWORK FOR NIGERIA

REVISED – APRIL 29, 2011

1.0 INTRODUCTION

1.1 In December 2005, the Central Bank of Nigeria (CBN) introduced a Microfinance Policy Framework to enhance the access of micro- entrepreneurs and low income households to financial services required to expand and modernize their operations in order to contribute to rapid economic growth. The rationale was that no inclusive growth can be achieved without improving access of this segment of the economic strata to factors of production, especially financial services.

1.2 The basis of this bold initiative in 2005 is still valid. With the benefit of experience spanning over five years of operating the Microfinance Policy, the CBN believes that a review of the Policy to reflect lessons from experience, global economic trends and the envisioned future for small business development in Nigeria has become auspicious.

1.3 Microfinance services refer to loans, deposits, insurance, fund transfer and other ancillary non-financial products targeted at low-income clients. Three features distinguish microfinance from other formal financial products: (i) smallness of loans and savings, (ii) absence or reduced emphasis on collateral, and (iii) simplicity of operations.

1.4 Before the emergence of Microfinance Banks (MFBs) under the Microfinance Policy, the people that were unserved or under-served by formal financial institutions usually found succour in non-governmental organization-microfinance institutions (NGO-MFIs), moneylenders, friends, relatives, credit unions, etc. These informal sources of funds have helped to partially fill a critical void, in spite of the fact that their activities were neither regulated nor supervised by the CBN. This revised policy framework continues to take cognisance of this category of institutions, which have now become key players in the Nigerian microfinance landscape. However, more emphasis would be placed on MFBs because they are under the regulatory and supervisory purview of the CBN.

1.5 The envisioned microfinance sub-sector under the policy regime recognises the existence of informal institutions and provides for their mainstreaming into the national financial system. The policy also seeks to harmonize operating standards and provide a strategic platform for the evolution of microfinance institutions particularly MFBs. Existing non-deposit taking service providers, which continue to operate outside the purview of regulation and supervision of the CBN, would be encouraged to make periodic returns on their operations for statistical purposes to the CBN.

1.6 This document therefore, presents a revised National Microfinance Policy Framework for Nigeria that would enhance the provision of diversified microfinance services on a sustainable basis for the economically active poor and low income households. It also provides appropriate machinery for tracking the activities of development partners and other non-bank service providers in the microfinance sub-sector of the Nigerian economy.

1.7 This revised policy is prepared in exercise of the powers conferred on the CBN by the provisions of Section 33 (1) (b) of the *CBN Act No. 7 of 2007* and in pursuance of the provisions of Sections 56-60 (a) of the *Banks and Other Financial Institutions Act [BOFIA] No. 25 of 1991* [as amended]. It should be read in conjunction with the MFB Operating Template and the revised Regulatory and Supervisory Guidelines for Microfinance Banks (MFBs) in Nigeria.

2.0 OVERVIEW OF MICROFINANCE ACTIVITIES (2006 – 2010)

2.1 The microfinance industry in Nigeria had been confronted by numerous challenges since the launch of the Microfinance Policy Framework in December, 2005. Coming on the heels of the banking sector consolidation, many of those adversely affected found their way into microfinance. Thus, a significant number of the newly licensed MFBs were established or operated like "mini-commercial banks." Also, the erstwhile community banks (CBs) that converted to MFBs did not fare any better.

2.2 An assessment of the microfinance sub-sector, following the launching of the policy however revealed some improvements. These include increased awareness among stakeholders such as governments, regulatory authorities, investors, development partners, financial institutions and technical assistance providers on microfinance. Specifically, a total of 866 microfinance banks have been licensed, Microfinance Certification Programme (MCP) for operators of microfinance banks put in place and the promotional machinery beefed up. Accordingly, entrepreneurs are taking advantage of the opportunities offered by increasingly demanding for financial services such as credit, savings, payment services, financial advice and non financial services.

2.3 Despite the above development, a large percentage of Nigerians are still excluded from financial services. A study carried out by Enhancing Financial Innovation and Access (EFInA) in August, 2010 revealed that 39.2 million representing 46.3 per cent of the adults in Nigeria, were excluded from financial services. Out of the 53.7 per cent that had access, 36.3 per cent derive their financial services from the formal financial institutions, while 17.4 per cent exclusively patronized the informal sector. Also, the results of the survey revealed that Nigeria was lagging behind South Africa, Botswana and Kenya with 26 per cent, 33 per cent and 32.7 per cent in financial exclusion rate, respectively.

2.4 Several factors have accounted for the persisting gap in access to financial services. For instance, the distribution of microfinance banks in Nigeria is not even, as many of the banks are concentrated in a particular section of the country, which investors perceived to possess high business volume and profitability. Also, many of the banks carried over the inefficiencies and challenges faced during the community banking era. In addition, the dearth of knowledge and skills in microfinancing affected the performance of the MFBs. Furthermore, there are still inadequate funds for intermediation owing to lack of aggressive savings mobilization, inability to attract commercial capital, and the non establishment of the Microfinance Development Fund.

2.5 In order to redress this unintended development, the Bank commenced a programme of capacity building, sensitization and awareness on the appropriate model for microfinance banking in December 2007. Maiden, Routine and Target Examinations, as well as nurturing and mentoring of the MFBs were also embarked upon during the same period to inculcate the microfinance concept and assist them to stabilize.

2.6 The impact of the global financial crisis of 2007/2008 on MFBs was more severe than anticipated. Credit lines dried up, competition became more intense and credit risk increased to the extent that many clients of MFBs were unable to pay back their loans owing to the hostile economic environment.

2.7 The banking sector reform of 2009 did not leave the MFBs unscathed as many of them experienced panic withdrawals by clients who were under the notion that if the Deposit Money Banks (DMBs) could have challenges, the MFBs would not fare better. The run on some of the MFBs was so severe that they had to close shop.

2.8 The combination of these factors significantly weakened the microfinance subsector and its ability to achieve its objectives. It is against this background that the 2005 Microfinance Policy was reviewed.

3.0 JUSTIFICATION FOR MICROFINANCE POLICY

The justifications for the introduction of the Microfinance Policy are as follows:

3.1 Weak Institutional Capacity

The prolonged sub-optimal performance of many erstwhile community banks, microfinance and development finance institutions is due to incompetent management, weak internal controls and lack of deposit insurance schemes. Other factors are poor corporate governance, lack of well defined operations, restrictive regulatory and supervisory requirements, among others.

3.2 Absence of Technological Platform

The absence of appropriate network platform for information communication technology (ICT) to drive down cost and achieve economies of scale is a major impediment to profitable operations.

3.3 Weak Capital Base

The weak capital base of existing microfinance institutions could not adequately provide cushion for the risk of lending to micro clients.

3.4 The Existence of a Huge Un-Served Market

The size of the un-served market by the existing financial institutions is large. EFInA, in its Access to Finance Survey in Nigeria in 2008, alluded to the fact that 79 per cent of the total population in Nigeria is unbanked out of which 86 per cent are rural dwellers. Also in 2005, the aggregate microcredit facilities in Nigeria accounted for about 0.2 per cent of Gross Domestic Product (GDP) and less than one per cent of total credit to the economy. This revealed the existence of a huge gap in the provision of financial services to a large number of the economically active poor and low income households. The effect of not addressing this situation appropriately would further accentuate poverty and slow down growth and development.

3.5 Poor Banking Culture and Low level of Financial Literacy

The primary aim of the microfinance initiative includes promoting inclusive financial system which entails creating sustained financial awareness. Therefore, the target clients for change are those people that equate microfinance with micro-credit and see banks and other fund providers not as partners in business, but mere sources of loans and advances.

3.6 Economic Empowerment of the Poor

Globally, micro, small and medium enterprises (MSMEs) are known to contribute to poverty alleviation through their employment generating potentials. In Nigeria, however, the employment generation potentials of small businesses have been seriously constrained by lack of access to finance, either to start, expand or modernise their present scope of economic activities. Delivering on employment generation and poverty alleviation by MSMEs, would require multiple channels of financial services, which an improved Microfinance framework should provide.

3.7 The Need for Increased Savings Opportunity

Poor people can and do save, contrary to generally held notions. However, owing to the inadequacy of appropriate savings opportunities and products, savings have continued to grow at a very low rate, particularly in the rural areas of Nigeria. The microfinance policy provides the window of opportunity and promotes the development of appropriate (safe, less costly and easily accessible) savings products that would be attractive to rural clients and improve the savings level in the economy.

3.8 The Increasing Interest of Local and International Investors in Microfinance

Many local and international investors have expressed interest in investing in the country's microfinance sub-sector. Thus, the establishment of a Microfinance Policy Framework for Nigeria provides an opportunity for them to participate in financing the economic activities of low income households and the economically active poor.

3.9 Urban Bias in Banking Services

Most of the existing banks are located in urban centres, and several attempts in the past at encouraging them to open branches in the rural areas did not produce the desired results. With a high proportion of the Nigerian population still living in the rural areas, it has become imperative to develop an institutional framework to reach the hitherto unserved population with banking services.

4.0 THE MICROFINANCE POLICY

4.1 Policy Objectives

The Microfinance policy provides a platform to achieve the following specific objectives:

i. Provision of timely, diversified, affordable and dependable financial services to the economically active poor;
ii. Creation of employment opportunities and increase the productivity and household income of the active poor in the country, thereby enhancing their standard of living;
iii. Promotion of synergy and mainstreaming of the informal Microfinance sub-sector into the formal financial system;
iv. Enhancement of service delivery to micro, small and medium enterprises (MSMEs);
v. Mobilisation of savings for intermediation and rural transformation;
vi. Promotion of linkage programmes between microfinance institutions (MFIs), Deposit Money Banks (DMBs), Development Finance Institutions (DFIs) and specialized funding institutions;
vii. Provision of dependable avenues for the administration of the microcredit programmes of government and high net worth individuals on a non-recourse basis; and
viii. Promotion of a platform for microfinance service providers to network and exchange views and share experiences.

4.2 Policy Targets

Based on the objectives listed above, the targets of the microfinance policy are as follows:

i. To increase access to financial services of the economically active poor by 10 per cent annually;
ii. To increase the share of microcredit as percentage of total credit to the economy from 0.9 per cent in 2005 to at least 20 per cent in 2020; and the share of microcredit as percentage of GDP from 0.2 per cent in 2005 to at least 5 per cent in 2020;
iii. To ensure the participation of all States and the FCT as well as at least two-thirds of all the Local Government Areas (LGAs) in microfinance activities by 2015; and
iv. To eliminate gender disparity by ensuring that womens access to financial services increase by 15 per cent annually, that is 5 per cent above the stipulated minimum of 10 per cent across the board.

4.3 Policy Strategies

A number of strategies were derived from the stated objectives and targets. They include:

4.3.1 Licensing and Supervision

The Bank shall license, regulate and supervise the activities of promoters and microfinance service providers that wish to become MFBs. In the light of experiences from the system thus far, the Bank shall ensure that all such licensed MFBs are adequately capitalised and operated in a safe and sound manner.

4.3.2 Continuous Professional Development

Professionalism, transparency and good governance shall be the bedrock of the microfinance sub-sector. Therefore, efforts shall be made to strengthen the skills of regulators, operators and directors of microfinance institutions. The establishment of institutions that support the development and growth of microfinance service providers and clients would be encouraged.

4.3.3 Savings Mobilisation

Attention will be paid to the promotion of savings and banking culture among low-income households, through Financial Literacy and Consumer Protection Programmes.

4.3.4 Government Participation

The participation of Federal, State and Local Governments in the system shall be promoted. This is by encouraging the three-tier of government to devote at least one (1) per cent of their annual budgets to microcredit initiatives, through a combination of moral suasion, advocacy and enlightenment, to be administered largely through MFBs.

4.3.5 NGO-based Microfinance Institutions

Non-deposit taking microfinance institutions shall continue their support to micro-enterprises and will be encouraged to render regular returns on their operations to the Bank primarily for statistical purposes. Those that attain the minimum regulatory capital requirements and clientele shall be encouraged and incentivised to transform to licensed MFBs.

4.3.6 Collaboration with Development Partners

There shall be collaboration and close monitoring of donors assistance in the area of microfinance, in line with the provisions of this policy.

4.3.7 Definition of Stakeholders' Role

The roles of stakeholders in the development of the microfinance sub-sector are clearly defined in Section 8 of the Policy and efforts towards proper harmonization of these roles would be ensured.

4.3.8 Submission of Disaggregated Data

MFBs will be required to include disaggregated data in their periodic returns on the level of patronage of their products and services.

4.3.9 Institutional Linkages

The linkages among DMBs, DFIs, NGO-MFIs and MFBs as well as other micro-enterprise finance institutions would be institutionalized and strengthened to increase the flow of funds to clients.

4.4 Microfinance Policy Measures

As stated in Section 4.3.9, this Policy document recognises that there are various players in the microfinance sub-sector of the Nigerian economy. However, for deposit-taking institutions, there are strict prudential and regulatory requirements that must be complied with in order to be granted banking licence to operate as MFB.
These requirements are as follows:

4.4.1 Microfinance Bank Categorization

Microfinance Banks shall be required to be adequately capitalized, technically sound, and oriented towards lending based on cash flow and the character of clients. There shall be three categories of Microfinance Banks (MFBs).

4.4.1.1 Category 1: Unit Microfinance Bank

A Unit Microfinance Bank is authorized to operate in one location. It shall be required to have a minimum paid up capital of N20 million (twenty million Naira) and is prohibited from having branches and cash centres.

4.4.1.2 Category 2: State Microfinance Bank

A State Microfinance Bank is authorized to operate in one State or the Federal Capital Territory (FCT). It shall be required to have a minimum paid up capital of N100 million (one hundred million Naira) and is allowed to open branches within the same State or the FCT, subject to prior written approval by the CBN for each new branch.

4.4.1.3 Category 3: National Microfinance Bank

A National Microfinance Bank is authorized to operate in more than one State including the FCT. It shall be required to have a minimum paid up capital of N2 billion (two billion Naira), and is allowed to open branches in all States of the Federation and the FCT, subject to prior written approval by the CBN.

4.4.1.4 Transformation Path

i. A Unit MFB that intends to transform to a State MFB shall be required to surrender its licence and obtain a State MFB licence, subject to fulfilling stipulated requirements.
ii. A State MFB that intends to transform to a National MFB must have at least 5 branches which are spread across the Local Government Areas in the State. This is to ensure that the MFB has gained experience necessary to manage a National MFB. It shall also be required to surrender its license and fulfill other stipulated requirements.

The prescribed minimum capital requirement for each Category of MFB may be reviewed from time to time by the Central Bank of Nigeria.

4.4.2 Ownership of Microfinance Banks

i. Microfinance Banks can be established by individuals, groups of individuals, community development associations, private corporate entities, NGO-MFIs, or foreign investors. ii. No individual, group of individuals, their proxies or corporate entities, and/or their subsidiaries, shall own controlling interest in more than one MFB, except as approved by the Central Bank of Nigeria.

5.0 PARTICIPATION OF EXISTING FINANCIAL INSTITUTIONS IN MICROFINANCE ACTIVITIES

5.1 Deposit Money Banks:

Deposit Money Bank (DMB) wishing to engage in microfinance services can continue to do so through a designated Department/Unit and/or offer microfinance as a financial product. Nothing prevents the Holding Company having a DMB as a subsidiary from investing in or owning an MFB.

5.2 Non-Governmental Organization-Micro Finance Institutions (NGO-MFIs):

This policy recognizes the existence of credit-only, membership-based microfinance institutions, which are not required to come under the regulatory and supervisory purview of the CBN. They are however supervised by the appropriate Ministry. Such institutions shall engage in the provision of microcredit to their targeted population but shall not mobilize deposits from the general public.
The registered NGO-MFIs shall be required to forward periodic returns on their activities to the CBN primarily for statistical purposes. NGO-MFIs wishing to obtain operating licences as Microfinance Banks shall be required to meet the stipulated provisions in the Regulatory and Supervisory Guidelines for MFBs in Nigeria.

5.3 Apex Associations of Microfinance Banks and Institutions

The CBN shall support apex associations of microfinance banks and institutions to promote self-regulation, uniform standards, transparency and good corporate practices. The associations shall also serve as platform for capacity building, product development and marketing, as well as resource sharing.

Transformation of the Existing NGO-MFIs and Financial Cooperatives:

An existing NGO-MFI or Financial Cooperative which intend to operate as MFB can either incorporate a subsidiary MFB while still carrying out its NGO operations or transform to a MFB. Such institutions must obtain operating licence and shall be required to meet the stipulated provisions in the revised Regulatory and Supervisory Guidelines for MFBs.

6.0 FRAMEWORK FOR THE SUPERVISION OF MICROFINANCE SUB-SECTOR

6.1 Licensing and Supervision of Microfinance Banks

The licensing of Microfinance Banks shall be the responsibility of the Central Bank of Nigeria. A licensed institution shall be required to add “Microfinance Bank” after its name. All such names shall be registered with the Corporate Affairs Commission (CAC), in compliance with the *Companies and Allied Matters Act (CAMA) 1990*. The licence issued by the CBN will indicate whether it is a Unit, State or National MFB.

6.2 Revised Regulatory and Supervisory Guidelines for Microfinance Banks

The Bank has produced a revised Regulatory and Supervisory Guidelines for the operations of Microfinance Banks in Nigeria. All operators and practitioners are expected to familiarize themselves with this document and comply with its provisions accordingly.

6.3 Minimum Operational Standards/Template for Microfinance Banks

The CBN has prepared a Template to guide the operators of the MFBs. This document provides guidance on corporate governance, business planning, products, services and risk management.

6.4 Establishment of the National Microfinance Policy Consultative Committee

The National Microfinance Policy Consultative Committee (NMFPCC) has been constituted by the CBN to give direction for the implementation and monitoring of this policy. Membership of the Committee shall be determined from time to time by the CBN. The Development Finance Department of the CBN shall serve as the Secretariat to the Committee.

6.5 Credit Reference Bureau

In view of the peculiarities of microfinance practice, operators shall be required to provide and obtain credit information from Credit Reference Bureau(x) to aid decision making and minimise credit risk.

6.6 Rating Agency

The CBN shall encourage the establishment of private rating agencies to rate microfinance institutions.

6.7 Deposit Insurance Scheme

As a means of protecting depositors funds and reinforcing public confidence, MFBs shall qualify for the deposit insurance scheme of the Nigeria Deposit Insurance Corporation (NDIC).

6.8 Capacity Building Programmes

6.8.1 Microfinance Certification Programme

In order to bridge the technical skills gap, especially among operators and the directors of MFBs, the policy recognizes the need to set up an appropriate capacity building programme. In this regard, the CBN has put in place the Microfinance Certification Programme (MCP) to ensure the acquisition of appropriate microfinance operational skills by staff and management of MFIs in general and MFBs in particular.

In addition, provisions shall be made for Mandatory Continuing Professional Education (MCPE) to update relevant skills of the staff of each MFB in microfinance banking.

6.8.2 Staff Development Programme

Each MFB shall be required to make annual budgetary provision for staff development and capacity building.

6.8.3 Microfinance Development Fund and Capacity Building

The Microfinance Development Fund, when established, shall provide funds to support capacity building for the sub-sector on an on-going basis.

6.8.4 Apex Associations and Capacity Building

Efforts shall be made to promote capacity building through the apex associations of the microfinance banks and institutions in collaboration with development partners.

6.9 Linkage Programme

The policy recognizes the importance of wholesale funds to microfinance institutions to enable them expand their outreach. Pursuant to this, the CBN shall work out the modalities for fostering linkages between DMBs, DFIs, specialized finance institutions, Donor Agencies and the MFIs in general and MFBs in particular, to enable the MFBs and MFIs source for wholesale funds and refinancing facilities for on-lending to their clients. Furthermore, MFBs and MFIs are charged, under this policy, to foster close linkages with Entrepreneurship Development Centres (EDCs) and micro-enterprises that operate as Self-Help Groups (SHGs).

6.10 Establishment of Microfinance Development Fund (MDF)

In order to promote the development of the sub-sector and provide for the wholesale funding requirements of MFBs and MFIs, a Microfinance Development Fund (MDF) shall be set up by the CBN.

The Fund, which shall be professionally managed to guarantee its sustainability, will provide necessary support for the development of the sub-sector in terms of refinancing/guarantee facility, capacity building, financial education, and other promotional activities. The Fund shall be established with a seed fund to be provided by the Federal Government and the CBN and operating fund through soft facilities from international development financing institutions, as well as multilateral and bilateral institutions.

6.11 Prudential Requirements

The CBN recognizes the peculiarities of microfinance practice and shall accordingly implement appropriate regulatory and prudential regime to guide the operations and activities of the MFBs. Some of the prudential requirements are, compulsory investment in treasury bills, liquidity ratio, capital adequacy ratio, fixed assets/long-term investments, branch expansion, maintenance of capital funds, limit of lending to a single borrower and related party, maximum equity investment holding ratio, provision for classified assets, and unsecured lending limits, amongst others. The details are contained in the revised Regulatory and Supervisory Guidelines for MFBs in Nigeria.

6.12 Disclosure of Sources of Funds

MFBs shall disclose their sources of funds in compliance with the Money Laundering Prohibition Act 2004.

6.13 Corporate Governance for Microfinance Institutions

All MFIs shall adhere to basic corporate governance principles. The Board of Directors of MFBs shall be primarily responsible for the corporate governance of the bank by establishing strategic objectives, policies and procedures that would guide and direct the activities and the means to attain same, as well as the mechanism for monitoring Management's compliance.

6.14 Apex Associations of Microfinance Banks and Institutions

The CBN shall support apex associations of microfinance banks and institutions to promote self-regulation, uniform standards, transparency and good corporate practices. The associations shall also serve as platform for capacity building, product development and marketing, as well as resource sharing.

7.0 INCENTIVES FOR MFBs

The new window of opportunity to bring financial services to the under-served and un-banked in the rural areas shall require the support of government and the regulatory authorities.

7.1 Microfinance Development Fund will be established by the Government, CBN and other stakeholders to support the MFBs in rendering financial services to their clients on a sustainable basis. The Fund shall comprise two windows - Commercial and Social.

7.2 Subsidized training/capacity building programmes would be made available to staff of the MFBs. 7.3 The Interest Drawback Programme (IDP) of the CBN would be extended to the MFBs clients in agriculture and allied businesses. 7.4 The CBN in collaboration with relevant Ministries, Departments and Agencies (MDAs) as well as other stakeholders would provide enabling environment for MFBs/MFIs to operate.

8.0 THE ROLES AND RESPONSIBILITIES OF STAKEHOLDERS

The roles and responsibilities of respective stakeholders shall include, but not limited to, the following:

8.1 Government

Government shall be responsible for:

i. Ensuring a stable macro-economic environment, providing basic infrastructure (electricity, water, roads, telecommunications, etc), political and social stability;
ii. Creating an efficient land administration system to facilitate ease of transfer of land titles and other property rights to serve the collateral needs of borrowers and financial institutions;
iii. Promoting policy in support of consumer protection and financial literacy for microfinance clients;
iv. Setting aside an amount not less than one (1) per cent of its annual budgets at Federal, State and Local Governments levels for microcredit initiatives.

8.2 Central Bank of Nigeria (CBN)

The CBN shall:

i. Continue to oversees the operations of the National Microfinance Policy Consultative Committee;
ii. Ensure the implementation of the Microfinance Policy Framework to achieve the stated objectives, targets and strategies;
iii. Ensure the emergence of a sustainable microfinance sub-sector through appropriate institutional and regulatory and supervisory framework;
iv. Establish the Microfinance Development to provide wholesale funding for on-lending activities of Microfinance Institutions;
v. Develop and support appropriate capacity building programmes for regulators, directors, operators and practitioners in the sub-sector, in collaboration with other stakeholders;
vi. Promote financial literacy and consumer protection in partnership with relevant public and private sector development institutions as well as Civil Society Organisations (CSOs); and
vii. Undertake periodic reviews of the Microfinance Policy and the Regulatory Guidelines to address emerging issues.

8.3 Apex Associations of Microfinance Banks and Institutions

The Apex Associations of MFBs and MFIs shall:

i. Promote self-regulation;
ii. Ensure uniform standards, transparency and good corporate governance practices among their members;
iii. Provide platform for peer review, capacity building, generic product development and marketing, as well as resource sharing;
iv. Ensure that members render returns on their operations to the CBN; and
v. Work with other stakeholders for the promotion of financial literacy and consumer protection.

8.4 Public Sector Poverty Alleviation Agencies

This Microfinance policy framework recognises the roles of public sector MFIs and poverty alleviation agencies such as the National Poverty Eradication Programme (NAPEP), Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), National Directorate of Employment (NDE) etc. in the development of the sub-sector. They shall be encouraged to play the following roles:

i. Provide non-commercial (social security) resources targeted at difficult-to-reach clients and the vulnerable group;
ii. Support capacity building for stakeholders;
iii. Nurture new MFIs to sustainable levels; and
iv. Collaborate or partner with other relevant stakeholders to achieve the objectives of this policy.

8.5 Donor Agencies and Development Partners

Donor Agencies and Development Partners that provide capital and support for the development of the microfinance industry in Nigeria shall be required to operate within the relevant provisions of this policy.

9.0 CONCLUSION

9.1 There exists a huge untapped potential for financial services at the micro level of the Nigerian economy. Attempts by Government in the past to fill this gap did not achieve the desired result.

9.2 The Microfinance Policy was therefore developed in 2005 to further address the observed gaps. The policy provides for the establishment of a private sector driven microfinance banks.

9.3 Achievements recorded in the microfinance sub-sector since 2005 have been mixed. While outreach by formal financial institutions increased from 35.0 per cent to 36.3 per cent, occasioned by the coming on stream of MFBs, the institutions have been confronted with numerous challenges, including, poor corporate governance and asset quality, weak internal control and risk management, amongst others. It is against this background, that the revision of the 2005 microfinance policy was undertaken.

9.4 The revised microfinance policy framework provides that MFBs shall be required to be adequately capitalized, better managed, run on low cost structure and be operated in a safe and sound manner.

9.5 The CBN shall continue to monitor and ensure a conducive policy environment for the conduct of microfinance activities and businesses in Nigeria.

29th April, 2011

Perhaps after terrorists, another set of ‘intruders’ world leaders would rather keep away from their territories especially during this period of economic challenges are illegal immigrants. But it is not always an easy task. Human beings are by nature highly mobile, and for different reasons – family ties, security, economic survival, all of which are important enough to inspire some rather desperate steps towards reaching the promised land. Illegal migrants continue to devise ways of moving from one end of the earth to another, despite ever tightening border security measures and probable risks to their lives.

The slowdown in major economies in recent times notwithstanding, global migration statistics have shown resilience, though with some shifts in patterns of flow observed in several regions. Trends in the movements of peoples across the globe show that migration, as old as human existence itself cannot easily succumb to recession or threats of it in major destination countries. This is why it remains one of the key issues on the table of policy makers and politicians around the world, year after year.

The United Nations estimates that about 200 million people worldwide live outside their countries of birth. Despite the fact that several industrialized economies are themselves offshoots of the benefits of migration, the phobia for migrants especially the illegal, persists. This has been further compounded during this age of terrorism when nations can hardly distinguish immigrants with genuine intents from those with ‘hidden agenda’.

Migration is also one way of taking labour from where there is a surplus to where there is a deficit, thereby achieving a near balance in the global labour market.

The skilled and educated legal migrants are not received with welcoming arms either. While discerning policy makers see the significant advantage of having them in their labour force mix, they are perceived by the locals as ‘parasites’ that have come from foreign lands to steal their jobs and compete for their social amenities. Unfortunately, more often than not, it is the negative aspects of migration that are emphasized in town hall meetings, the global press and by politicians seeking to score cheap political points. Hardly does migration receive recognition as a trend which though sometimes flawed could be harnessed for enhanced economic prosperity and development of the host countries.

Experts however identify migration as one of the ways through which competences, skills, professionalism and knowledge could be exchanged among the countries of the world to meet the growing demand in the global labour

market. Migration is also one way of taking labour from where there is a surplus to where there is a deficit, thereby achieving a near balance in the global labour market.

RECENT DEVELOPMENTS AFFECTING MIGRATION TRENDS

The Arab Spring

One of the many fallouts of the 2011 socio-political uprising in the Middle East and North Africa is the displacements of close to 1,000,000 civilians fleeing Libya, Tunisia, Syria and other affected countries to safer environments. According to the United Nations Refugee Agency, the Arab Spring pushed up the number of asylum seekers in the West by 20 percent in 2011, with 16,700 more claims than in 2010. And with the escalation of the Syrian crisis way into 2012, the humanitarian situation in the Arab world is far from over. The socio-political crisis in Cote d'Ivoire further compounded the global asylum crisis last year with several displaced citizens fleeing to neighboring African countries or to Europe.

The UN High Commissioner for Refugees (UNHCR) estimates that a total of 441,300 asylum claims were registered in 44 industrialized countries in 2011 compared with 368,000 the previous year. These figures are the highest since 2003 when more than 500,000 new requests were recorded in developed economies following the US invasion of Iraq that year, in the midst of other regional conflicts.

No thanks to the fallouts of the Arab Spring, Italy had its largest ever number of asylum seekers in a single year in 2011 with at least 34,000 pouring into the country, a whopping 200 percent rise from the position the previous year.

The Arab Spring was yet another test of the unresolved harmonization of migration issues within the Schengen area especially during humanitarian crises. Italy had some diplomatic row with neighbouring EU countries, notably France for its 'liberal' admittance of massive influx of refugees fleeing the Arab crisis. Illegal migration remains perhaps one of the sorest spots causing periodic disagreements between the different national governments that make up the common border arrangement.

Euro-zone debt crisis

Recent data from the United Nations estimates that about 30 percent of the nearly 200 million international migrants reside in Europe. Like in the United States, major economic developments in Europe could have far reaching impact on global migration trend. Also like the US, European economies have for centuries benefitted from the largesse of migration while also suffering pains from the activities of some unscrupulous migrants.

The Greece factor: Greece's admittance into the Eurozone in June 2000 further complicated immigration issues in the zone in more ways than one. To start with, its membership of Europe's borderless Schengen initiative became a major channel through which illegal migrants found their way in droves into Europe, through the highly accessible Greek coastline borders. It is reported that in 2010, 90 percent of all apprehensions of illegal entrance into the EU happened in Greece, a significant increase over the 2009 level of 75 percent and the 2008 position of 50 percent.

On the other hand, the recent debt crisis in Greece has had far reaching impact on global migration trend. The spillover of the debt crisis to neigbouring Eurozone economies, including Spain and Italy, and the existing threat of a contagion has resulted in increased intensification of control measures to deter illegal migrants as the destination economies struggle to curtail ballooning unemployment and a near stagnant economic growth.

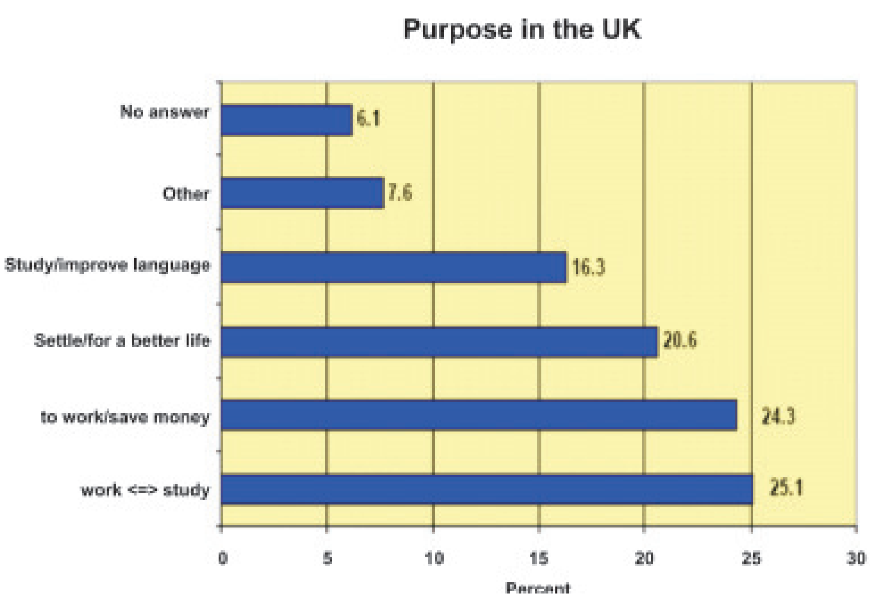
Unfortunately however, several factors in other regions of the world, including the Arab Spring and crisis in some countries in Africa and Asia have resulted in humanitarian situations which make it difficult for these countries to effectively curtail the influx of asylum seekers. In the midst of all its economic headaches in 2011, Italy for example was that year compelled to receive perhaps one of its biggest inflows of asylum seekers ever, to the exasperation of its EU neigbhours.

Improved growth performance in Emerging Economies

The improved economic status of several developing and emerging economies has contributed to the recent gradual shift in migration trend. As unemployment and poverty level drop in these countries the attraction to leave the homelands for greener pastures in the West also drops. Similarly, the development has encouraged an increase in South-to-south migration as against the traditional South-to-north. To get a clearer picture of the evolving situation, a review of recent migration trends in the 'emerging new world', the BRIC economies, would be appropriate.

With the growing economic prosperity in the BRIC economies, including rising GDP, industrial productivity, standard of living, and falling unemployment and poverty levels, Brazil, Russia, India and China are becoming the emerging immigration hotspots.

Brazil: Itself, a nation built on the hard work of immigrants from diverse parts



Source: http://www.geog.qmul.ac.uk/globalcities/reports

of the world, Brazil, as it becomes more prosperous, has turned out to be one of the attractive destinations for immigrants as migration to the North gets more unappealing owing to growing economic slowdown and rising clamp down on illegal immigrants there.

Though the country is yet to fine-tune its immigration policies, perhaps owing to harsh economic realities before now, the recent boom in its economy and the near full employment level it now enjoys would no doubt spur the emergence of policies that would attract the right crop of immigrants. Brazil must sustain its current economic momentum; and the place of immigrants in achieving this cannot be denied. Brazil is today already desperate for highly skilled and educated workforce especially engineers, technology experts and other professionals who could help take its recent fortune to the next level.

The massive infrastructural development now ongoing in Brazil preparatory to the 2014 World Cup also means that unskilled and semi skilled labourers would be advantageous. But the manpower need might not always be locally sourced. This is encouraging more migrants to Brazil. Brazilian authorities report a 52.4 percent increase in the number of foreigners with permanent status in the country as at first quarter 2011. Also, since 2009, the number of permanent visas issued has increased by over 60 percent. In the mix of the growing inflow of migrant workers are several middle-class professionals from Europe and America eager to break new grounds.

Barely four years ago, Brazilians were one of the largest groups deported from the UK for illegal migration. In a survey conducted in 2007, Brazilian respondents that were asked their purpose for migrating to the UK gave their reasons as follows: "*'for a better future back home'; 'for a better life for my children'; 'to develop professionally'; 'to build my life here'; 'to buy a house back in Brazil'; 'to get my children educated'; 'to obtain here what I couldn't in Brazil'; 'to pay off debt in Brazil'; 'to practice my profession'; 'to save money and go back to Brazil'; 'to lead a dignified life'; and 'to try for a new life'"*. ("Brazilians in London: a report for the *strangers into Citizens* Campaign"; University of London; September 2007).

But the tide has since changed dramatically. Brazil at the end of 2011 overtook the United Kingdom to become the sixth largest economy in the world. From about 10 percent a decade earlier, the country's unemployment rate plunged to 4.7 percent in 2011, as against UK's 8.3 percent that year. Since 2010, Brazil has overtaken the UK in foreign direct investment inflow, with both countries receiving $48.4billion and $46.9 billion, respectively that year. In 2011, Brazil passed the $60billion mark in FDI inflow, making it one of the top five global FDI destinations.

In the decade between 2001 and

http://nationalpostnews.files.wordpress.com/2012/05/jetman-flies-over-rio-de-janeiro-05.jpg

Rio de Janeiro, Brazil

2010, the country's poverty level shrunk from an estimated 33 percent to about 10 percent, comparable with the current realities in some of the developed economies of the world.

Russia: With an estimated 13-14 million migrants annually, the Russian Federation has the second largest number of foreign born residents after the United States, majority of which are from the former Soviet Union. But unlike US migrants, most foreign born residents in Russia are on short term stay. Information from the country's Federal Migration Service estimates that altogether, non-Russian nationals constitute less than 7% of the working population. At this rate, Russia, for the size of its economy, is far from being inundated with any major immigration crisis.

Considering the trend in the last two decades, migration inflows from the former Soviet Union (FSU), the country's largest migrant source, has been on the decline in recent times. "A Review of Russia Press on Labor Migration" (March 19-April 19, 2012), published on Russia.academia.edu, shows that from an average of about 700,000 migrants per annum during the 1990s, this has fallen to an average of less than 200,000 per annum since 2000. In 2009, it was an estimated 280,000.

Migration from Russia to the former Soviet Union has also suffered similar decline, from an annual average of 265,000 between 1991 and 2000 to a mere 39,000 between 2001 and 2009. Migration between Russia and the rest of the world has also been relatively slow over the last two decades, both in terms of inflows and outflows.

In 2007, a new law entered into force which liberalized access to the Russian labour market for migrants from visa-free countries. The reform also simplified procedures for applying for short stay and work permits. In the new dispensation, a worker from a visa-free country can apply for a work permit without any prior approval from his employer.

Migration legislation was further amended in 2010 to establish two new groups of labour migrants: those employed to work in private households and the highly qualified specialists. The process to obtain permit to work in households was made less cumbersome, allowing for a significant increase in the number of applications and approvals. While in 2010 only 19,200 non-Russian nationals received official permit to work in Russian households, between January and February 2011, 42,000 people received this license. This further increased significantly in the first two months of 2012 to 110,000.

But even with these ongoing reforms, the debate in the local Russian media about the unfriendly conditions under which these migrants work persists. A case in point is the poor housing facilities provided by the employers. Basements of buildings and buildings reserved for demolition are reportedly used to house migrants. This is common among the unskilled workers in households and factories. The salaries and wages of these workers relative to those of their Russian peers have also been criticized.

As its economic fortunes improve the Russian authority like other BRIC economies is expected to formulate migrant-friendly policies that would attract highly qualified foreign specialists into the country's work force. Perhaps the advent of middleclass, skilled immigrants, even from the most advanced economies of the world, would go a long way in changing the current poor handling of foreign workers prevalent in the country.

India: Today's migration trend in India is peculiarly

Top 40 Countries with highest number of Immigrants

Rank	Country	Number of Immigrants	Immigrants as % of population	Rank	Country	Number of Immigrants	Immigrants as % of population
1	United States:	38,355,000	12.81	21	Iran	1,959,000	2.861
2	Russia:	12,080,000	8.483	22	Singapore	1,843,000	42.6
3	Germany:	10,144,000	12.31	23	Ghana	1,669,000	7.548
4	Ukraine:	6,833,000	14.7	24	Kuwait	1,669,000	62.11
5	France	6,471,000	10.18	25	Switzerland	1,660,000	22.89
6	Saudi Arabia	6,361,000	25.25	26	Malaysia	1,639,000	6.15
7	Canada	6,106,000	18.76	27	Netherlands	1,638,000	10.05
8	India	5,700,000	0.517	28	Argentina	1,500,000	3.871
9	United Kingdom	5,408,000	8.982	29	Turkey	1,328,000	1.814
10	Spain	4,790,000	10.79	30	Uzbekistan	1,268,000	4.768
11	Australia	4,097,000	19.93	31	Austria	1,234,000	14.9
12	China	3,852,000	0.2944	32	Belarus	1,191,000	12.21
13	Pakistan	3,254,000	1.984	33	Sweden	1,117,000	12.3
14	United Arab Emirates:	3,212,000	71.4	34	South Africa	1,106,000	2.332
15	Israel	2,661,000	37.87	35	Thailand	1,050,000	1.635
16	Italy	2,519,000	4.288	36	Bangladesh	1,032,000	0.7277
17	Kazakhstan	2,502,000	16.88	37	Venezuela	1,010,000	3.776
18	Côte d'Ivoire	2,371,000	13.06	38	Syria	985,000	5.173
19	Jordan	2,225,000	39.01	39	Greece	974,000	8.662
20	Japan	2,048,000	1.599	40	Nigeria	971,000	0.7382

Sources: Wikipedia; nationmaster.com

interesting. Despite growing prosperity, the country's migration outflows continue to exceed its inflow, overwhelmingly. India has in the last decade sustained a rapid growth momentum that makes it one of the fastest growing economies in the world. Yet the ballooning size of its remittance inflow, which jumped from about $23 billion as at 2005 to around $64 billion in 2011, is not just a reflection of the 'fat' income of Indians in the Diaspora but another pointer to the growing number of new emigrants from the country.

Despite the global financial crisis that bites harder in the traditional destination countries, Indian migrants continue to top the list of the largest new migrants groups in several of these economies. With an estimated 25 million Indians in about 140 countries, India has one of the largest numbers of emigrants in the world; and the number keeps growing.

Unlike the other BRIC economies, India's improving economic status is yet to reduce the appetite of its citizens to seek greener pastures in Europe and America. Rather, some analysts have opined that more income at their disposal is encouraging more Indians to take the next available flight to the West, where perhaps they perceive the grass to be greener.

China: With 8.3 million China-born people living outside the Chinese borders as at 2010, China is ranked by the World Bank as the fourth largest country of emigrants in the world. For its 1.34 billion population size though, this is a very moderate emigration figure.

Trends in the last ten years have shown that China is also fast evolving into a major destination for today's migrants. Several factors are responsible for this. First is the country's rapid economic growth rate that has defied all measures taken by local authorities to simmer down. Second is the local Chinese labour force that is no longer as inexhaustible as perceived a couple of decades ago. Like its counterparts in the West, the pressure of an aging population is beginning to set in, and the traditionally 'cheap' Chinese workforce is no longer so cheap.

Preliminary results from China's 2010 census released in April 2011 put the average annual population growth rate between 2000 and 2010 at 0.57 percent; half the rate of 1.07% in the previous decade. The new figure also means that the total fertility rate, which is the number of children a woman of child-bearing age can expect to have on average in her life-time, is now a meager 1.4, far below the "replacement rate" of 2.1, which guarantees stability in a population. This is also a far cry from the level of 2.3 in 1980 when the one-child policy was introduced in China. Before the one-child policy, China's total fertility rate was at some point as high as 5.8.

The Chinese population is also aging fast. The proportion of people over the age of 60 in China was 13.3 percent in 2010, up from 10.4 percent a decade earlier. The growth of the working-age population (age 15 to 64) in China is expected to decline, from 0.95 percent per annum between 2005 and 2010 to 0.19 percent per year from 2010 to 2020, and to -0.23 percent annually between 2020 and 2030.

http://blogs.mcgill.ca/desautels-hotcities/files/2011/02/Team02_The-Road-to-India.jpg

The new population data is already causing debates about the future of the Chinese labour market with some calling for an outright reversal of the 32-year long compulsory child control policy.

Apart from its changing demography, another factor buoying migration inflow into China is its increasing investments in different regions of the world, notably, the developing economies of Africa and Asia. The growing bilateral relationships between China and some African economies, including South Africa, Nigeria, Democratic Republic of Congo, among others, have led to a relatively significant increase in the number of Africans that have migrated to China, and vice versa, in the last decade.

Aside from trade and investments, other factors influencing migration trends in China today is the country's growing importance as an educational hub. A growing number of migrants come into the country from the West to study, while the population of Chinese students in Europe and America also continues to swell. A report published in migrationinformation.org estimates that China was host to some 238,184 overseas students in 2009.

As a result of this new trend, China, like almost all other BRIC economies studied in this piece is in the process of reforming its immigration laws to deal with its new status as a destination country and attract the quality of work force it requires to sustain current growth pace.

Rising cases of Terrorism

Another critical factor impacting global migration trend today is the rising cases of terrorism. Since the September 11, 2001 terrorist attack on the World Trade Centre in New York, developed economies of the world have viewed all immigrants with increased suspicion. Countries which perceive themselves as targets have increased surveillance over their borders and intensified scrutiny of immigrants, increasing the spate of criminalization and in most cases *scapegoating* of migrants, especially the illegal ones.

The ongoing legal tussle between the British government and radical cleric Abu Qatada (whose real name is Omar Othman) is another indication of the negative toll terrorism is taking on global migration flow. Abu Qatada came to the UK in the 1980s as a refugee fleeing persecution in the Middle East. Since 2007, the Palestinian-Jordanian has been fighting deportation to Jordan where he has been sentenced in his absence for alleged involvement in a terrorist plot against Americans and Israeli tourists. UK authorities believe that Abu Qatada has al-Qaeda links and has been spreading Islamist radicalism in the country.

Today's migration trend in India is peculiarly interesting. Despite growing prosperity, the country's migration outflows continue to exceed its inflow, overwhelmingly. India has in the last decade sustained a rapid growth momentum that makes it one of the fastest growing economies in the world.

Studies since the 9/11 incidence have shown that a great number of terrorists that operated in the United States were illegal immigrants who either overstayed beyond the expiration of their visas or came in as asylum seekers. In both instances, several of them eventually succeeded in regularizing their migrant status by marrying Americans and taking on American citizenship. The advent of terrorism continues to have negative influence on today's immigration. Certain regions of the world where terrorists are perceived to be 'bred' have also suffered stereotyping, affecting the chances of their citizens getting easy access to countries of their dreams.

Economic slowdown in the United States

There has been relative slowdown in migrant inflow into the United States and Canada in the last couple of years. In 2009, Canada recorded 33,200 requests for asylum, 10 percent less than in 2008. Preliminary data for 2010 indicate an even greater decrease. The number of migrants seeking naturalization in Canada has also experienced a decline since the 2008/2009 financial crisis.

The neighboring United

States of America is the biggest single destination country for migrants from all over the world. According to the Census Bureau's 2010 American Community Survey (ACS), the US immigrant population stood at almost 40 million, or 13 percent of the total population.

Mexican-born immigrants accounted for almost 30 percent of US immigrants as at 2010, making them the dominant immigrant group in the country. China with 5 percent and India and the Philippines with 4 percent each are next in number.

But an interesting trend has been observed in the last two years in US migration flow. There has been a gradual slowdown in the influx of migrants from Mexico, its biggest immigrant source. New data suggest that more Mexicans are now leaving the US than they are coming in. For example a recent CNN report shows that the Mexican-born population in the United States decreased from 12.6 million in 2007 to 12 million in 2011. ("Why wave of Mexican immigration stopped" By Jeffrey S. Passel and D'Vera Cohn; Thu April 26, 2012).

Available data show that the annual inflow of unauthorized immigrants from Mexico has declined from about 500,000 per year between March 2000 and March 2005 to about 325,000 per year between March 2005 and March 2007 and to about 150,000 per year between March 2007 and March 2009. Today, an estimated 51 percent of all Mexican immigrants living in the United States are unauthorized; in 2007, that figure was much higher at 56 percent (Pew Hispanic Center).

However, the illegal migrant population from other regions of the world has remained stable at between 2 million and 2.3 million. Overall, the number of illegal immigrants residing in the US has dropped since the last recession, from around 12 million to about 10.8 million.

What are the factors responsible for this migration shift? First is the massive job losses that followed the 2008/2009 financial crisis in the US. Many Mexicans found their way back home when all efforts to get new jobs failed. Also, U.S. authorities have tightened enforcement of immigration laws along the problematic Mexican borders, with harsher penalties for offenders. Deportation of illegal migrants has also been intensified with thousands sent home every year, including large number of Mexicans. Several states have tightened their immigration laws in efforts to ward off unauthorized entry.

These developments have worked together to reduce the influx of Mexicans into the United States since the Great Recession.

But there are also developments in Mexico that are contributing to the new migration shift. Perhaps also because of the harsher economic realities in the US, less Mexicans are willing to leave their country. On the other hand, the Mexican economy which was also deeply affected by the Great Recession, especially so because of its strong ties and proximity to the United States, has recovered a lot faster than its bigger neighbour.

Following the recession,

Perhaps what might be considered a 'different' migration policy in the country's recent history would be if Obama's administration succeeds in its bid to legalize the status of the nearly 11 million illegal immigrants already in the country and who do not have criminal records.

Mexico's GDP plunged 6.2% in 2009 but rallied to a positive growth of 5.4% in 2010 and another 3.8% in 2011. Not surprisingly, considering that 30 percent of its citizens have found their way to niegbouring United States, the unemployment rate in Mexico is 4.9 percent (2011), a far cry from US's 8.1 percent. The improving economic performance has spurred confidence in Mexicans, encouraging more of them to stay in or return to their country. Data from Mexico's National Survey of Occupations and Employment (ENOE) shows that while 6.9 migrants per 1,000 residents left the shores of Mexico in 2008, in 2009, this dropped to 5.4 per 1,000, and to 3.3 per 1,000 in the fall of 2010.

Another growing trend in Mexico that could be affecting migration flow now and perhaps in the future is the gradual drop in birth rate. In the 1960s, fertility rate in Mexico was 7.3 per every woman of child bearing age. In 2009, this had dropped to 2.4. This development has shrunk the population of Mexicans that usually would migrate (ages 15 to 40).

As noted in a CNN report, while it might not be possible to predict how these developments will affect future migrations from Mexico to the US, considering the uncertainties in the global economic space, one fact is clear, that the US will never again experience the same wave of mass movements of illegal immigrants from Mexico it had contended with in the last few decades.

The Politics of Immigration

Especially in industrialized countries, no political manifesto is complete without a comprehensive policy on immigration issues. As the November 6, 2012 US Presidential election draws near, after economic recovery, job creation and perhaps taxation issues, another critical topic that the presidential aspirants must address as they try to woo the electorate is their plans to tackle immigration issues.

Though such debates are more of rhetorics than anything else, since immigration policies of American leaders have not been known to be any radically different from those of their predecessors, it is still one subject Americans never wish politicians to lose sight of.

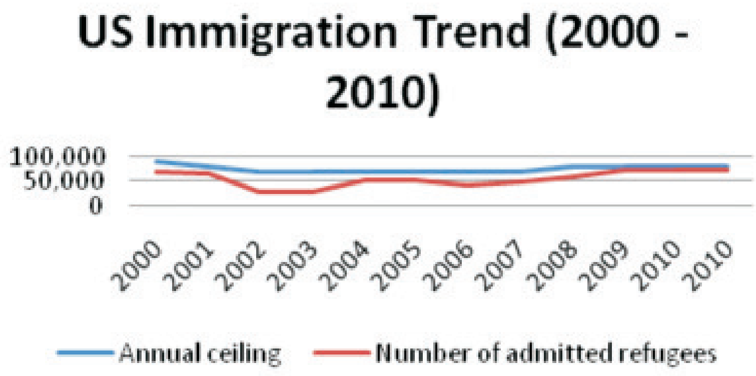
Barack Obama's immigration policies: While President Barack Obama came to power in 2008 with some of his critics accusing him of favouring liberal treatment of immigrants, immigration policies in the US in the last four years have not been any different from those of previous administrations. He has doubled the number of Border Patrol agents along the problematic borders; put in place 600 miles of fencing on the border with Mexico and set up unmanned drones to collect intelligence along the border. Between 2009 and 2011, annual deportations of illegal immigrants from the US averaged 390,000, as against the less than 120,000 recorded in 2001 under George W. Bush.

Perhaps what might be considered a 'different' migration policy in the country's recent history would be if Obama's administration succeeds in its bid to legalize the status of the nearly 11 million illegal immigrants already in the country and who do not have criminal records.

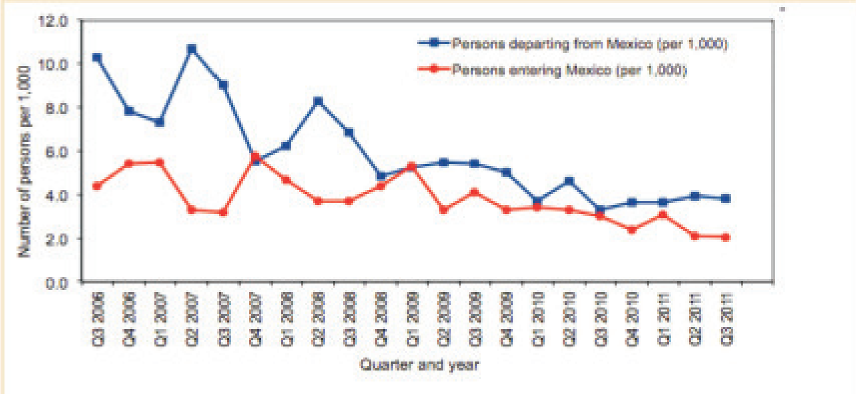
Obama also advocates the passage of the DREAM Act (Development, Relief, and Education for Alien Minors), which would grant citizenship to children of illegal immigrants who attended college or went into the military. He supports the mandatory use of E-Verify systems, which allow employers to determine the immigration status of potential employees before hiring them; and harsher penalties on employers who deliberately hire undocumented workers.

Mitt Romney's immigration policies: Republican Mitt Romney too, like Obama would like to see a complete fencing along the entire length of the United States' border with Mexico. His recent campaigns express his disagreement with Obama on legalizing the status of illegal immigrants currently living in the country. He is also a proponent against granting amnesties and other incentives to illegal aliens coming to the United States. Romney sees himself as "pro-immigrant" but he wants people to come to the US only through legal means. Similar to Obama's support for skilled migrants, Romney is advocating for more visas for foreign-born students in the fields of mathematics, science, engineering and technology, and encouraging foreign entrepreneurs to come invest in the United States.

In a nutshell, Romney's immigration policies do not show any radical departure from those of his Democratic rival or those of any President of the United States in the recent past.



Source: http://www.migrationinformation.org



Source: Mexican National Institute of Statistics and Geography, National Survey of Occupations and Employment, 2006 to 2011.

Source: http://www.migrationinformation.org

New Migration Shift: is it Sustainable?

From all indications, the recurring spates of global economic recessions could lead to periodic alterations in the pattern of migration flow; but it cannot result in any significant reduction in the movements of people around the world in search of socio-economic fulfillment. While one cannot say with all certainty the countries of the world that future migrants might choose to go, the fact remains that there will always be reasons for people to wish to change where they live and work; and there will always be a ready labour market for them, skilled or unskilled.

In recognition of this reality, the OECD – an umbrella body for the most industrialized economies of the world recently issued a five-point "road map" to its members on managing labour migration:

• First, because labour needs exist at all skill levels, it is important that the legal channels for the low-skilled migrant labourers be not jettisoned

• Second, many future labour needs would likely be long term and could not be filled by temporary migrants. Governments therefore need to put long term plans in place that would cater for migrant workers and their families.

• Third, stakeholders, especially employers must be given bigger roles to play in identifying and selecting potential immigrants. Incentives for employers and others to follow the rules and to protect immigrant and native workers are required.

• Fourth, the process of managing labour migration could also be complimented with measures to support the origin countries, including facilitating remittances, encouraging the involvement of Diasporas, removing obstacles to return migration, fostering increased international student enrolment and funding pre-migration training in origin countries.

• Fifth, the premium on developing and implementing successful labour integration strategies for migrants and their children remains as high as ever. (OECD High Level Policy Forum on Migration; June 2009).

Emerging economies have faired better than the developed world in their recovery from recent recessions. Several of them have made rapid economic progress that has reduced their poverty and unemployment levels and has improved the standard and condition of life of their people. This has inspired not just a reduction in emigration but interestingly, a surge in South-to-south migration and a North-to-south movement of highly skilled workforce.

If the current trend persists, attracting immigrant workers could become a highly COMPETITIVE business in all prosperous countries in the near future, both for developed and emerging economies. The "criminalising" measures adopted by some Western countries towards immigrants before now would act as deterrence for future migrants, especially if other options become readily available. The growing trend could mark not just the beginning of another era in the global economic paradigm but also in the future of migration flows.

Lastly, while it is easy to assume that the current surplus in migrant flow will continue in perpetuity, given several forecasts that show that the global population will continue to grow rapidly, driven by high fertility rate in developing and low income economies, this assumption might not stand the test of time. Even in the poorest of countries in Africa and Asia, enhanced education and the impact of globalization are rapidly driving down fertility rate. In the next two decades, I foresee a major downward review of much of the highly bullish population growth forecasts being churned out today. And if this happens, perhaps the headache of massive influx of unwanted illegal migrant workers being experienced in many countries today would be solved; and migrant workers would earn more self respect as they are attracted only by those who desperately need them and only through 'legal' channels.

(*Eunice Sampson is the Deputy Editor, Zenith Economic Quarterly)

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http://www.globalimmigrantnews.com/blog1/wp-content/uploads/2011/06/Boat_People_at_Sicily_in_the_Mediterranean_Sea.jpg

Cashless Economy: IMPERATIVES For LEGAL & REGULATORY FRAMEWORK

* By Emeka Nwadioke

Electronic banking has been around for some time in the form of automated teller machines and telephone transactions. More recently, this has been transformed by the Internet, a new delivery channel for banking services that benefits both customers and banks. Access is fast, convenient, and available around the clock, whatever the customer's location. Plus, banks can provide services more efficiently and at substantially lower costs.

The flip side of this technological boom is that electronic banking is not only susceptible to, but may exacerbate, some of the same risks —particularly governance, legal, operational, and reputational— inherent in traditional banking. In addition, it poses new challenges. In response, many national regulators have modified their regulations to achieve their main objectives: ensuring the safety and soundness of the domestic banking system, promoting market discipline, and protecting customer rights and the public trust in the banking system. Policymakers are also becoming increasingly aware of the greater potential impact of macroeconomic policy on capital movements.

The Central Bank of Nigeria (CBN) recently introduced a new policy on cash-based transactions which stipulates a 'cash handling charge' on daily cash withdrawals or cash deposits that exceed N500,000 for individuals and N3,000,000 for corporates. The policy aims to reduce the amount of physical cash circulating in the economy, since an efficient and modern payment system is positively correlated with economic development, and is deemed as a key enabler for economic growth.

Law's Response to Cash-less Economy

While the distinguishing element in e-transactions is the electronic element, virtually all of Nigeria's extant laws and regulations do not provide for the electronic element in commercial transactions. Till date, there is no law that explicitly and exclusively deals with payment systems in Nigeria. This contrasts sharply with Kenya and South Africa, to name a few.

With the enactment of the Kenya Communication Amendments Bill 2008, Kenyan retail banking sector enjoys the benefits of using electronic signatures and the recognition of electronic records in legal proceedings. Accordingly, cost reduction and customer related factors have emerged as the main drivers of e-banking adoption in Kenya. On its part, India has three major statutes or guidelines governing e-finance, namely the **Information Technology Act, 2000; Information Technology (Certifying Authorities) Rules 2000; and Central Bank (Reserve Bank of India (RBI)** Guidelines on Internet Banking in India.

However, the **Central Bank of Nigeria Act** (as amended) gives the Bank implicit powers to oversee and regulate the payments system. This role is complimented by the Nigeria Deposit Insurance Corporation (NDIC) and the Nigerian Stock Exchange.

Emerging Issues in E-commerce Regulation

Given the fluid nature of e-commerce, uncertainty still pervades its legislative landscape in the country. Pertinent issues include the nature of e-contracts, admissibility or otherwise of electronic evidence, domain name regulations, consumer protection, privacy laws and regulations, jurisdictional tussle in e-commerce dispute resolution, and concerns on the institutional framework for regulating e-commerce.

While some of Nigeria's extant laws and regulations may be applicable to e-transactions among others, the need for industry-specific laws to address the myriad of emerging issues in these areas cannot be sufficiently stressed. For instance, huge legal and regulatory gaps still exist in such areas as determination of local jurisdiction, applicability of contractual obligations, admissibility of electronic evidence and probative value of digital documents, and electronic determination of title.

Contractual Obligations In E-commerce

One of the major challenges facing e-commerce is the determination of when a contract is said to have come into existence in an electronic environment. This raises the twin issues of offer and acceptance which are central to the validity of contracts. In contracts concluded by e-mail, a key issue is timing i.e. to ascertain when the contract has been concluded or "accepted" so as to foreclose the possibility of retraction by the offeror. The legal framework for e-commerce can either be statute- or contract-based. Where parties to an online contract are citizens of countries that have ratified the **Rome Convention**, the provisions of the Convention would apply to determine the applicable law. However, the Convention allows parties to agree *ab initio* on the law that will apply in e-transaction disputes, consistent with the Freedom of Contract principle.

It is trite that Nigeria's contract law does not explicitly recognize electronic contracts. In fact, the **Statute of Fraud, 1677** (being a statute of general application) and the **Lagos State Law Reform (Contract) Law** among others specifically require that certain contracts must be in writing and must be duly executed. But the common law tradition allows for contracts to be concluded in writing, orally or by conduct. It could therefore be argued that the Nigerian law of contract does not explicitly prohibit electronic contracts.

Major issues in e-commerce contracts include documentation and signature. Accordingly, e-commerce documents must guarantee authentication (i.e. that document was executed by the parties to be bound), integrity (that the document was not modified or tampered with between being sent and received), non-repudiation (that parties cannot resile or deny the document), and confidentiality.

Fortunately, the **Electronic Transactions Bill 2011** now pending before the National Assembly has interrogated some of these legal hurdles. Specifically, the bill deals with such issues like non-discrimination against electronic information, writing requirements, signature requirements, requirement to produce an original document, keeping written documents, integrity of information, recognition of foreign electronic documents and signatures, consent, automated contracts, time and place of sending and receiving electronic information, and consumer protection among others. It provides, *inter alia*, that no information shall be denied legal effect, validity or enforcement solely on the ground that it is in electronic form. Certain documents and activities are however exempt from the application of the proposed law. Also, the draft **Electronic Transactions Bill** follows the functional equivalence approach of the United Nations Commission on International Trade Law (UNCITRAL) **Model Law on Electronic Commerce 1996** in giving legal effect to electronic messages as paper-based documents.

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Legislating Against Cybercrimes

Electronic channels generally exacerbate criminal activities due to their near anonymity. Possible frauds are: card fraud, money laundering, mobile communications fraud, computer intrusion, 'card-not-present' transactions and 'card-present' transactions. A report by the Internet Crime Complaint Centre - an alliance between the Federal Bureau of Investigation (FBI) and the National White Collar Crime Centre - listed Nigeria as number three in the highest number of Internet crime perpetrators, closely following the United States and the United Kingdom. Ernst & Young estimates that Nigeria's loss to cybercrime is N30 billion (about $200 million) annually. Cybercrimes in Nigerian banks are estimated to cost about N1.15 billion annually. The vulnerability of Nigeria's e-transaction channels has been demonstrated.

Cybercrime is the commission of unlawful acts using the computer or internet connectivity devices either as a tool or a target, or as both. However, it can be argued that cybercrime is yet to be legislated against in view of Nigeria's extant laws. Substantive and procedural law must therefore be designed to criminalize all undesirable activities occurring in the online environment while creating legal procedures for investigation, prosecution and conviction. Areas requiring attention include conducts against ICT systems; conducts utilizing ICT systems to carry out unlawful activities or commit crimes; and un-

lawful conducts committed against critical information infrastructure that affects the economic well-being of Nigeria and her collective security as a country.

Specific infractions may, according to the proposed unified **Draft Bill on Computer Security and Critical Information Infrastructure,** include unlawful access to a computer, unauthorized disclosure of access code, fraudulent electronic mail messages, data forgery, computer fraud, system interference, misuse of devices, denial of service, identity theft and impersonation, records retention and data protection infringements, unlawful interception, failure of service provider to perform certain duties, cybersquatting, cyber-terrorism, violation of intellectual property rights with the use of a computer, and attempt, conspiracy and abetment. The Draft Bill is also expected to address the issues of search, arrest and prosecution of offenders, including issues such as jurisdiction, powers of search and arrest, obstruction of law enforcement officers, prosecution, forfeiture of assets, compounding of offences, payment of compensation, and the power to make regulations.

However, it is curious that Nigeria does not have a central cyber data collection system, despite the fact that technologically it is quite easy to detect telecommunication crimes. Though Nigerian statutes like the **Penal Code, Criminal Code, EFCC Act** and **Money Laundering Act** contain variants of telecommunication offences, some telecommunication offences or cybercrimes are not adequately covered by the **Telecommunication and Postal Offences Act 1995**, criminal codes and general common law.

The need to enhance global collaboration in cybercrime and cybersecurity enforcements is equally critical. South Africa, Kenya and Uganda are some African countries that have put the legal architecture in place to combat cybercrimes.

While the **Advance Fee Fraud and other Fraud Related Offences Act 2006** and **Economic and Financial Crimes Commission (EFCC)**

Act mandate the EFCC to register Internet Service Providers (ISPs) and cybercafés, this is not sufficiently far-reaching to encompass cybercrimes in all its dimensions. Further, the **EFCC Act (Amendment) Bill 2010** aimed to facilitate the investigation and prosecution of cyber and e-payment crimes has also not been passed by the National Assembly.

The CBN has issued regulations aimed at containing the abuse of electronic transactions. On the other hand, the Nigerian Communications Commission (NCC) regulates ISPs. It has also been argued that, in the absence of a cybercrime law, Section 440 of the Criminal Code which creates an offence for injuries to property may be sufficiently elastic to cover certain aspects of cyber criminality. It is however contended that these measures do not make up for the legislative lacuna in the area of computer misuse and cybercrime.

Even more worrisome is the fact that the National Assembly has curiously failed or neglected to pass bills aimed to counter cybercrimes. These include the **Computer Security and Critical Information Infrastructure Protection Bill 2005** sponsored by the Executive; the **Cyber Security and Data Protection Agency (Establishment, etc) Bill 2008,** the **Electronic Fraud Prohibition Bill 2008;** the **Nigeria Computer Security and Protection Agency Bill, 2009;** the **Computer Misuse Bill 2009; Electronic Commerce (Provision of Legal Recognition) Bill 2008; Security Communications Interception and Monitoring Bill.** Even more recently, the **Electronic Fraud and Electronic Transfer of Funds Bill 2012** (a bill which seeks to provide for prohibition and punishment for electronic fraud among others) was equally withdrawn by the sponsor, Senator Adegbenga Kaka. The National Assembly seems inclined to a harmonization of the multiplicity of bills on e-commerce.

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Regulating the Nigerian Internet Domain

It has been noted that the electronic mail (e-mail) – which is based on domain name registration - is the major vehicle for e-commerce. Domain name is a finite resource, as it depends on alphabets, numbers, dots and dashes and therefore requires efficient management. Domain name has therefore been the subject of legal disputes in several parts of the world as it relates to copyright infringement, cyber-squatting, and anti-competitive acts among others. Italian Courts have ruled that the domain name is a distinctive sign and therefore that the registration of a domain name which is identical or confusingly similar to a distinctive name or trademark infringes trademark law and unfair competition rules. It remains to be seen how Nigerian courts will interpret cases in these areas in line with the nation's Copyrights and Trademark laws.

There is scarcely an effective framework for domain name registration in Nigeria. A registration agency for the assignment and management of domain names within the country code top-level domain and legislation that recognizes or protects electronic signatures have become imperative. Such an agency should also manage and maintain the database of registered domain names, including the regulation of domain name registration as it relates to assignments, revocations, and dispute resolution processes. While the National Information Technology Development Agency (NITDA) has ultimately secured the rights to the administration of the .ng top-level domain, the non-establishment of a proper framework for its administration is worrisome. Attempts had been made to legislate on the agency to manage online activities as well as for recognition of e-commerce transactions, though unsuccessful.

Privacy Laws and Regulations

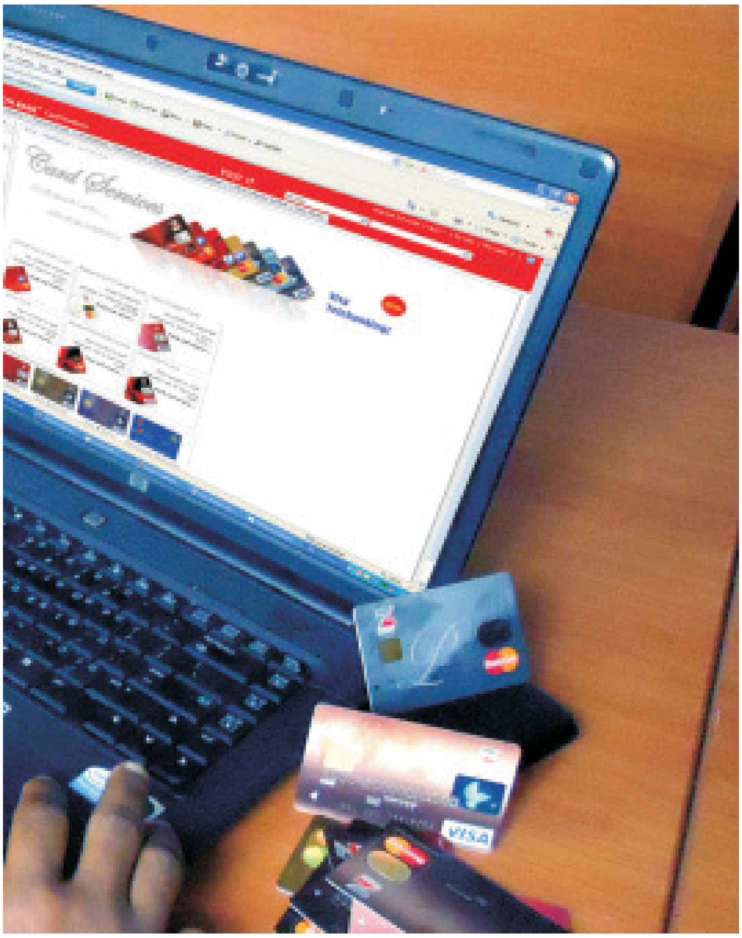
Given elaborate KYC (Know Your Customer) principles and guidelines enunciated by international financial agencies as well as the CBN towards safeguarding the integrity of financial systems, it is trite that participants in e-commerce are increasingly laid bare to business organizations vis-à-vis their personal details. As stated by Lord Hoffman in ***R v. Brown*** [1996] 1 All ER 545, 556: "Vast amounts of information about everyone are stored on computers. Such information is capable of instant transmission to anywhere in the world and is accessible at the touch of a keyboard. The right to keep oneself to oneself, to tell other people that certain things are none of their business is under technological threat…"

Recently, the United States House of Representatives passed the **Cyber Intelligence Sharing and Protection Act**, notwithstanding privacy concerns particularly by the White House. This is coming on the heels of the **USA Patriot Act** of 2001, P.L. 107-56 - a law enacted as a result of the September 11, 2001 terrorist attacks – which gave U.S. lawmakers greater authority to gain access to electronic financial transactions. While customers' data can aid policy makers and service providers in their planning efforts, the threat to customers' privacy cannot be overemphasized.

Nigeria's privacy law is at its infancy. In fact, the only protection afforded individuals (aside from case law) is the somewhat omnibus Section 37 of the 1999 Constitution which provides that "the privacy of citizens, their homes, correspondence, telephone conversations and telegraphic communications is hereby guaranteed and protected." There are currently no privacy and personal information laws that restrict the extent to which service providers can deploy consumers' information at their disposal. This state of affairs may be contrasted with certain jurisdictions which have laws that restrict release of personal information subject to the owner's consent. The need for a separate law to protect personal data has become urgent. The United Kingdom's **Data Protection Act 1998** and New Zealand's **Privacy Act 1993** are examples of laws aimed at safeguarding individuals' privacy. Perhaps recourse may be had by the Nigerian e-customer to CBN's ***Guidelines on Point of Sale (POS) Card Acceptance Services 2011*** which provides in Clause 4.6.11 that "The cardholder shall be entitled to privacy and information on his card account cannot be shared with third parties…."

Evidential Issues in E-commerce Transactions

Given the unique nature of e-commerce, issues have arisen as to the validity of electronic transactions in Nigeria as well as the relevancy and admissibility of electronically-generated evidence. This is in view of the intangible nature of electronic transactions and electronic documents. For instance, Section 2 of the **Evidence Act**, Cap.



E14, Laws of the Federation 2004, defines a document by reference to a tangible medium.

The Court of Appeal recently departed from its earlier position in ***Nuba Commercial Farms Ltd v NAL Merchant Bank Ltd*** [2001] 16 NWLR 510 when it held in the celebrated case of ***FRN v Femi Fani-Kayode*** (Charge No. FHC/L/C/523c/2008) that electronic documents were admissible, and that the issue must turn not on admissibility but on the weight to be attached to the evidence.

While it has been argued that evidence of financial transactions and services whether electronically generated or created are relevant and admissible whenever there is a nexus between them and a matter before a court of law in Nigeria, the **Evidence Act 2011** has essentially laid these controversies to rest. Sections 41, 51 and 87 and 93(2) of the Act deal with issues of admissibility of electronic evidence, secondary evidence and e-signatures. Also, the draft **Electronic Transaction Bill** deals with matters of evidence and provides some basic rules on the evidential weight to be given to electronic documents that are admitted in evidence.

Consumer protection issues revolve around infrastructure, interconnection, investment, trade, and liberalization among others. Dispute resolution mechanisms must therefore be put in place to assuage the concerns of e-consumers.

E-transactions and Consumer Protection

Consumer protection issues revolve around infrastructure, interconnection, investment, trade, and liberalization among others. Dispute resolution mechanisms must therefore be put in place to assuage the concerns of e-consumers. These may range from official to non-official approaches, including regulatory adjudication, court adjudication, alternative dispute resolution, negotiation and mediation to arbitration. Whatever model is adopted, the key elements must include speed and efficiency.

Uganda's The Communications (Fair Competition) Regulations, 2005; Kenya's **Communications Act** of 1998, and the **UK Consumer Protection Regulations 2000** all deal with consumer-related issues. However, in Nigeria, the e-consumer does not seem to have adequate legal cover in the event of a commercial dispute. For instance, the duty of care and skill in handling and securing customer funds by bankers has increasingly come under scrutiny, moreso in the light of the seeming helplessness of ATM fraud victims in obtaining legal redress. This is not unconnected with Nigeria's unsatisfactory e-commerce legal regime.

The **Consumer Protection Council Act** 1992 does not outline the responsibility of the trader to the consumer. Further, there are no details of punishment for the service provider. Unsurprisingly, results have been mixed with regard to consumers seeking legal redress. While claimants were successful in ***Constance Ngonadi v. Nigerian Bottling Co. Ltd*** [1985]1 NWLR (PT.4)739, ***Oye Soremu v Nigerian Bottling Company Ltd***, and the widely reported ***Pfizer Case***, the same is not true for ***Boardman v. Guinness Nigeria Ltd*** (1980) NCLR 109, ***Nathaniel Ebelamu v. Guinness Nigeria Ltd*** [1980] 1P.L.R. 538 and ***Okonkwo v. Guinness Nigeria Ltd*** (1980) 1P.IL.R. 538. The Act also makes no provision in regard to electronic transactions. The **Financial Ombudsman Bill** aimed towards consumer protection is yet to be passed into law. This leaves the consumer in a wantonly precarious position vis-à-vis e-transactions.

The CBN has created a Consumer and Financial Protection Division "to educate consumers and defend their interest." While the bank is currently advocating for the passage of the **Financial Ombudsman Bill,** e-consumers may have to fall back on the apex bank's ***Guidelines on Point of Sale (Pos) Card Acceptance Services** 2011* in seeking legal redress. The guidelines, consistent with global best practices towards protecting the e-consumer, provide, *inter alia*, that "A card issuer shall be held liable (where proven) for card frauds arising from card skimming or other compromises of the issuer's security system, including payment done with hot-listed card." On its part, the **Electronic Transaction Bill** also provides, *inter alia*, that "A person using electronic communications to sell goods or services to consumers shall provide accurate, clear and accessible information about themselves, sufficient to identify the legal name of the person, its principal geographic address, and an electronic means of contact or telephone number; facilitate prompt, easy and effective consumer communication with the seller, and allow service of legal process."

It is however instructive that though the bill mentions "service of legal process" in anticipation of litigations relating to e-transactions, it is ominously silent on possible offences by individuals and corporates that may be actionable in e-transactions as well as the attendant penalties. Remedies available to injured parties are equally not provided for, moreso as the bill is also silent on the mode of handling complaints. The liability of intermediaries also remains unclear. The bill is also silent on the role of a certification service provider towards ensuring the integrity of e-transactions.

While independent monitoring of the activities of law enforcement agencies is largely non-existent, it has become imperative to legislate on the regulation of the powers of law enforcement agencies and similar personnel. Some jurisdictions however impose certain duties on the e-consumer towards protecting himself.

Dispute Resolution and E-jurisdiction

E-commerce is characterized by worldwide access to the Internet and global dissemination of content among different legal regimes. Accordingly, the "Double criminality requirement" arises, i.e. offence must be a crime in both the country it was committed and the country demanding for the perpetrator to be extradited.[1] As stated in ***American Banana Company v. United Fruit Company***, 213 U. S. 347, 365 (1909): "The character of an act as lawful or unlawful must be determined wholly by the law of the country where the act is done."

Council of Europe's Convention on Cybercrime is the first international treaty on crimes committed via the Internet and other computer networks. Under the Convention, a country has jurisdiction if the cyber crime was committed: in its territory, on board a ship flying the flag of the country, on board an aircraft registered under the laws of the country, by one of the country's nationals, if the offence is punishable under criminal law where it was committed or if the offence is committed outside the territorial jurisdiction of any state. South Africa is the only African signatory. A memorandum recommending Nigeria's accession to the Cybercrime Treaty is reportedly awaiting the President's endorsement. The proposed **Draft Cybersecurity Bill** also interrogates issues such as extradition, mutual assistance requests, expedited preservation of data, and evidence pursuant to a request among others.

Institutional Regulation and Support

There is a need for a strong institutional framework to drive the cash-less regime. The National Information Technology Development Agency (NITDA) has a mandate to establish a National Electronic Commerce Council (NECC) to govern all e-commerce

There is a need for a strong institutional framework to drive the cash-less regime. The National Information Technology Development Agency (NITDA) has a mandate to establish a National Electronic Commerce Council (NECC) to govern all e-commerce affairs in Nigeria and to facilitate international trade through an e-commerce infrastructure and the implementation of the Nigerian National Policy on Information Technology.

affairs in Nigeria and to facilitate international trade through an e-commerce infrastructure and the implementation of the Nigerian National Policy on Information Technology. Also, while NITDA is still fine-tuning efforts towards the establishment of a clearinghouse for e-commerce in Nigeria vis-à-vis management of the .ng domain, other relevant agencies include the CBN's Automated Teller Machine Fraud Prevention Committee, the Nigeria Communication Commission (NCC), and the Central Switch and Payments Terminal Service Aggregator {Nigeria Interbank Settlement Systems (NIBSS) Plc}. Others are the Office of the National Security Adviser, Directorate for Cybersecurity (DfC) (which replaced the Nigerian CyberCrime Working Group), Computer Crime Prosecution Unit in the Office of the Attorney-General, card associations and card schemes, banks, and their umbrella association - the Chartered Institute of Bankers of Nigeria (CIBN).

Conclusion

Electronic commerce is increasingly becoming the dominant mode of commercial transaction in an age driven by the Internet. The application of technology to payment services has come to stay, moreso as access is fast, convenient, and available around the clock. However, e-commerce tends to exacerbate some of the risks inherent in traditional banking, namely governance, legal, operational, and reputational risks. It has therefore become imperative to set the legal, regulatory and institutional architecture in motion towards ensuring the safety and soundness of the domestic banking system, promoting market discipline, and protecting customer rights and the public trust in the banking system.

Measures aimed at firmly driving the e-commerce initiative must interrogate such issues as the legal framework, capacity building, public enlightenment, public private partnership and industry alliance, consumer protection and international cooperation, to name a few. The National Assembly must demonstrate a clear appreciation of the imperative of e-commerce in an Internet Age by urgently passing the relevant bills.

Although a common legal framework would eliminate jurisdictional hurdles and facilitate cybercrime law enforcement across borders, a complete realization of such framework may not be feasible. However, Government should accede to the Council of Europe's **Convention on Cybercrime** (Cybercrime Treaty) towards a more holistic legal framework for combating cybercriminality.

Notwithstanding the multiplicity of agencies set to address e-commerce challenges, discernible progress remains rather elusive in fashioning a sustainable institutional and regulatory framework for e-commerce in Nigeria. This must change. While the establishment of the Computer Crime Prosecution Unit in the Office of the Attorney-General as well as the Directorate for Cybersecurity (DfC) in the Office of the National Security Adviser is to be commended, the DfC in particular must get to work on its onerous and critical mandate of developing a National Cybersecurity Policy, establishing a National Computer Emergency Readiness and Response Mechanism, and establishing a National Computer Forensics Laboratory. The same is true for all the major players in the e-commerce terrain, including the CBN, EFCC, NCC, and the Presidential Committee on Illegal Online Activities.

The judiciary must rise to the occasion in acquitting itself creditably vis-à-vis the new challenges thrown up by the **Evidence Act** (as amended) in such areas like e-documents, e-signatures, e-contracts and essentially in the handling of electronic evidence.

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Due Process and Accountability: ADVANCE FEE FRAUD (1)

*** By Chuks Nwaze**

In the previous segment of this serial, we commenced discussion on an aspect of our national life that has wider implications not only to the generality of Nigerians but also to the transformational agenda of the present administration. This became a logical step in view of the diversity of readership of this journal which goes beyond banking, as well as its international status.

Although we have adopted the generic title of *"Due Process and Accountability"*, each edition will dwell on a specific segment of our economic and social life that constitutes a source of worry to the people and government of Nigeria. The previous edition focused on money laundering while the current segment and the next will be devoted to ***Advance Fee Fraud,*** otherwise called ***"419"*** which has brought unprecedented negative publicity to our dear country, especially at the international arena

As the saying goes *"There is no shortcut to success. If you keep your attention on learning the tricks of the trade, you will never learn the trade itself"*. The system employed by smart people to separate greedy but unsuspecting individuals from their hard-earned money is a whole industry on its own. For the people involved on either side of the divide, the objective is the same; to make big money fast, without sweat! Scam mails and advance fee fraud are two sides of the same coin; the first is the instrument employed to achieve the second which is the ultimate objective. But before we go into the modus-operandi of this unique industry which has given our dear country a very bad image before the international community, we need to identify the practitioners.

THE 'YAHOO BOYS'

These are the professional internet fraudsters. They make a living by navigating (i.e surfing) the internet to identify potential victims and attacking them accordingly. Being a well established industry, there is a hierarchy:

The Pawns: These are the leg soldiers who do the initial work.

The Big Boys: These are the highly experienced, intelligent and skilled operators who initiate, supervise and drive the scam, deploying people and technology accordingly. In order to reduce uncertainty, they also invest heavily in research and carry out proper investigation of their potential victims before they 'strike'. They are very skilled and talented professionals in the art of deceiving, swindling, tricking, cunning, faking, duping and similar sharp practices.

TERMINOLOGY / DEFINITION

Scam: An illegal activity, usually a confidence racket involving money. The word 'racket' refers to a fraudulent or dishonest way of getting money by deceiving people.

Advance Fee: This refers to the underlying strategy of asking potential victims to pay some money (i.e. advance fee) before reaping the benefit from the anticipated deal. It is this advance payment that constitutes the fraud.

Fraud: Scholars and experts have defined fraud in several ways:

- "An act or course of deception deliberately used to gain unlawful or unfair advantage; deception directed to the detriment of another."
- "Any activity that is tainted with criminal intention to cheat or deceive".
- "An intentional untruth or a dishonest scheme used to take deliberate and unfair advantage of another person or group of persons."
- "A predetermined as well as planned tricky process or device usually undertaken by a person or group of persons with the sole aim of cheating another person or organization to gain ill-gotten advantage which would not have accrued in the absence of such deceptive procedure."
- "Deceit, dishonest and deliberate misrepresentation of the truth or fact by which a person attempts to persuade another to do something to his disadvantage".

It is important to note that 'con men' do not always succeed in all their schemes but the level of success achieved enables them not only to stay in business but also improve their financial and social standing and even attract new recruits as well as give Nigeria the unenviable tag of haven for fraudsters.

THE VICTIMS

These are the greedy, naïve and gullible individuals, especially citizens and nationals of other countries who wish to harvest where they have not sown or reap where they have not invested. Or how else will you explain a situation where somebody willingly transfers several thousands of dollars in advance; to someone he does not know and has never met, in exchange for a promise to receive some millions of dollars in exchange.

However, there are some intrinsic assumptions about Nigeria that motivate these potential victims to take a plunge and eventually fall for these scams:

- That Nigeria is a big and rich country with limitless possibilities, coupled with pervasive corruption; hence anyone can take a bite.
- That Nigeria is peopled by a considerable number of fraudulent individuals who can do anything for money, even at the expense of their own country.
- That Nigeria is a place where you can get rich, not necessarily by working hard, but by being smart.
- That although there are laws in Nigeria, offenders often go unpunished due to lack of political will as well as weak institutional platforms.
- There are loopholes in every aspect of our national life, all begging for exploitation.

The question of whether or not these assumptions hold water will be left for the reader to judge. There is

little doubt, however, that foreign nationals are sufficiently convinced to the extent of putting down their hard-earned money for dubious transactions. Even the daily account of how several others burnt their fingers and lost their money in the same circumstances do not deter prospective ones.

VARIANTS OF ADVANCE FEE FRAUD

The number "419" refers to a subsection of chapter 38 of the Nigerian Criminal Code which deals with obtaining property by false pretence, cheating, which is fraudulent. The terminology may be different but the methodology is the same in all of them.

There are other names used to refer to the same confidence trick in which the target is asked to pay a comparatively small amount of money in exchange for a much bigger sum. These include:

- 419 Fraud

- Nigerian Scam
- Nigerian Money Offer
- Nigerian Letter

ORIGIN OF ADVANCE FEE FRAUD

Contrary to the view held in some quarters that this fraud originated in Nigeria, Advance Fee Fraud is actually similar to much older scams called the *"Spanish Prisoner Scam" the "Russian / Ukrainian Scam"* and the *"Letter from Jerusalem"* which existed towards the end of the 18th Century. The approaches may be different but the objective is the same. However, the modern "419" in Nigeria reared its head initially as a fall-out of the decline in the oil-based economy of the early 1980s when idle undergraduates used it to deceive visitors involved in oil business. It was the initial success achieved that encouraged its wide spread in the early -to- mid 1990s.

Although the initial medium of the scam messages was via hard-copy letters, fax or telex, the technological breakthrough occasioned by the electronic mails (e-mails) fundamentally reduced not only the cost but also the stress involved in posting the scam letters. The internet now became a very convenient medium. Hence, according to Insa Nolte, a lecturer in African Studies Department of University of Birmingham: *"The availability of e-mail helped to transform a local form of fraud into one of Nigeria's most important export industries"*

The number "419" refers to a subsection of chapter 38 of the Nigerian Criminal Code which deals with obtaining property by false pretence, cheating, which is fraudulent. The terminology may be different but the methodology is the same in all of them.

Statistically, accordingly to Computer World of November 2, 2010 by *Internet Crime Complaint Centre,* Nigeria was the number one Cyber Crime Country in Africa and the Third in the world behind U.S.A and Britain

METHODOLOGY

Advance Fee fraudsters are confidence tricksters: in other words, they achieve their nefarious objectives through a gradual building of confidence in the mind of their victims. They do this through either of two ways or a combination of both.

(i) Scam Mails: Letters carrying false information are distributed to several individuals or organizations in various countries of the world in the hope that some positive responses will be received (a lot of positive responses are, indeed, usually received).

(ii) Internet Browsing: By browsing through the internet, they are able to stumble on the same type of greedy, naïve or gullible individuals to whom they present fraudulent proposals on-line. A casual visit to a typical cyber-café will reveal an army of young people anxiously glued to several computers or waiting for their turn to do so. Most cyber-cafés are filled to the brim even at odd hours of the night for this purpose.

(iii) **Strategy:**

- The fraudster systematically extorts money from the victim until an insurmountable obstacle appears or the bubble bursts, by which time the victim may have parted with thousands of dollars of his own money and often thousands or millions more that has been borrowed or stolen, to the scammer, through wire transfer or other untraceable or irreversible means.
- While the e-mails perpetrating the scams are usually sent from cyber-cafés or private internet platforms, the phone numbers used by scammers are mobile GSM phones with hidden identity. However, their preferred medium for receiving payment is wire transfer ser-

vices such as *Western Union* or *Money Gram* because of their speed of processing, minimal identification requirements and irreversibility.

SCAM MAILS: OPERATIONAL CHARACTERISTICS

Typical E-Mail Formats

- **"**From the desk of…"
- "Your assistance is needed…"
- "This transaction is risk-free…".
- "You were introduced to us as a trustworthy person…."
- "The money is currently hidden in a security and finance company…"
- "Your own share is. …"

i There is no limit to the variety of schemes which the con artist could invent; the people whose names are mentioned in the mails could be real, fictitious or impersonated.

ii A typical story-line is that a person, government official or bank staff etc, is aware of the huge amount of unclaimed, over-invoiced, stolen or abandoned amount of money or gold which he has no direct access to, hence the need for a trusted confidant.

iii The scammer introduces hurdles and delays at pre-determined stages of the transaction, designed to persuade the victim to part with some money before further progress can be made, e.g "For you to be eligible, you must have balance at a Nigerian bank of $50,000 or more" or "Before the money can be transmitted, we need to bribe a bank official".

Psychologically, the victim who has parted with some money wishes to continue with the deal instead of losing what he has already paid. Hence, it becomes easier to persuade him to bring more money. In fact, some sophisticated foreigners often develop the illusion that they can even cheat the 'con artist' because of the seemingly 'uneducated' style of writing which often appears clumsy. However, ***the common ingredient in all advance fee fraud transactions is that the promised money transfer or 'bumper harvest' never happens because no such money exists.***

SUCCESSFUL SCAM ('419') MAIL: SAMPLE

Johnson (not real name), a businessman opened his mail box early in the month and saw a letter supposedly from a Liberian refugee in Togo. The refugee, a lady, explained to him how life has been hard on her and would need his assistance. The young man was carried away by the story and requested the girl to send her photograph which she did. The photograph showed a very beautiful damsel with 'a traffic stopping figure'. Johnson was instantly hypnotized and other thoughts started racing through his active mind. The dialogue soon shifted from internet to GSM and he started planning how to rent an apartment where he would be seeing her from his matrimonial home.

Meanwhile, the lady requested for $1,000 (about N150,000), through electronic transfer, for sundry shopping and transportation to Nigeria and asked Johnson to come to Seme, the border town between Nigeria and Benin Republic to pick her on an appointed date. The young man promptly wired the money to her account through his bankers.

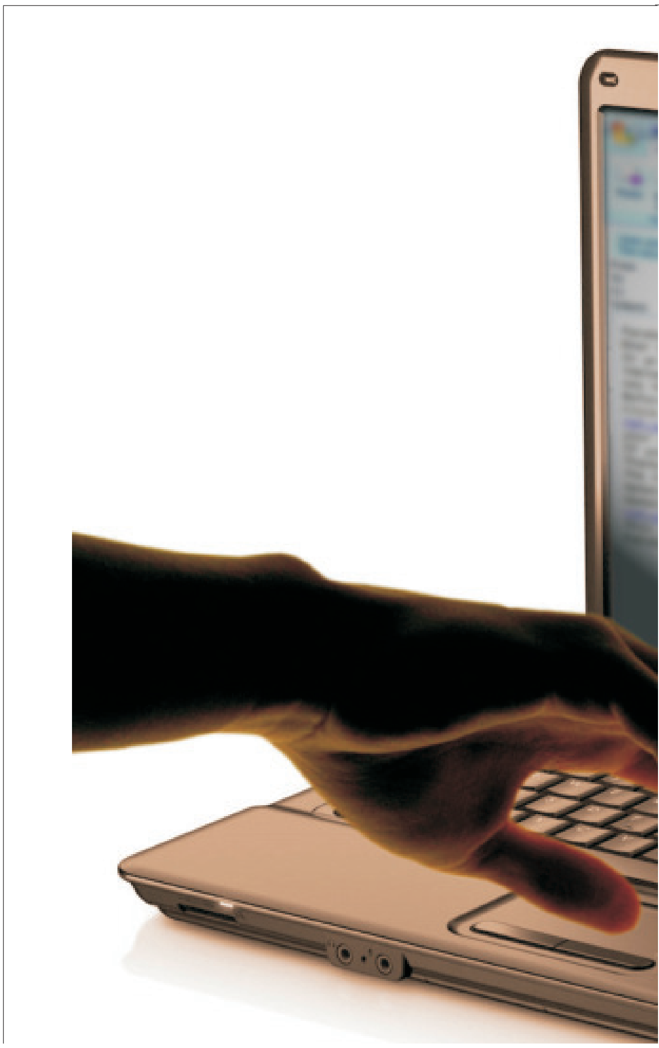
In the morning of the agreed day, he went to Seme to await her arrival and they were in touch on phone. However, as evening was approaching, he called again and got a shocker! A man's voice came from the lady's end and said he was answering from Festac, Lagos and told him that he was stupid and gullible.

Johnson (not real name), a businessman opened his mail box early in the month and saw a letter supposedly from a Liberian refugee in Togo. The refugee, a lady, explained to him how life has been hard on her and would need his assistance. The young man was carried away by the story and requested the girl to send her photograph which she did. The photograph showed a very beautiful damsel with 'a traffic stopping figure'. Johnson was instantly hypnotized and other thoughts started racing through his active mind.

Puzzles

(a) While the telephone conversation was going on, how did the phone correctly reflect the telephone code of Togo? From all indications, Johnson was set up at Festac, in Nigeria.

(b) How do conmen get correct e-mail addresses? We hear they hack the 'net' with special software and download many e-mail addresses. The desperation of these cyber criminals has put the banks on their toes as they continuously warn their customers not to update their personal information on any website because of requests by



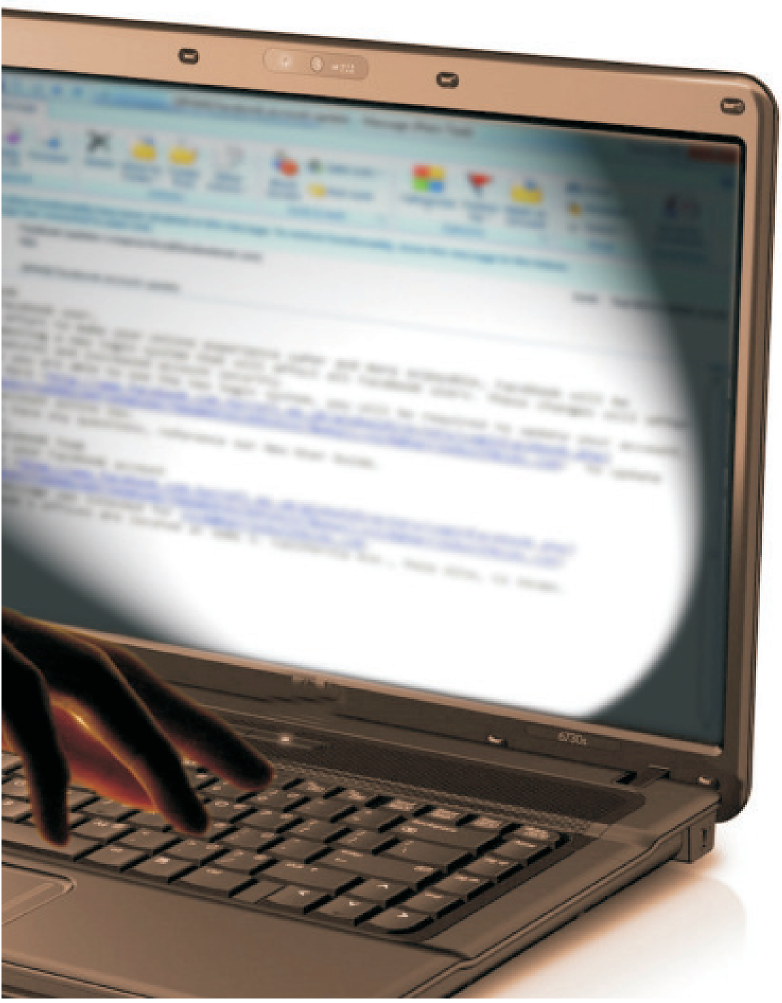
conmen in this regard. This message is pasted on banking halls and displayed on the screen of ATM machines.

SCAM CERTIFICATES

This is by far the greatest display of intelligence, genius and wizardry by the fraudster. But what would have been a herculean task has been made easy by the existence of syndicates which specialize in the forgery not only of documents but also signatures in several parts of Nigeria. The one in the Oluwole part of Lagos was particularly notorious because of the accuracy and precision which they achieved and also because, over the years, the law enforcement agencies tried in vain to dislodge them.

After the last scam in that area which involved the signature of a former President, security agencies raided the notorious market. Items seized included 500 printing plates, 1,000 computers, fake university certificates, customs documents, 20,000 United States money orders, 15,000 blank British Airways boarding passes as well as thousands of Nigerian passports and those of other nationals. These people are truly ingenious!

The scam certificates cover every possible range of thought on which the scammer can address his mind. In order words, the con artist can literarily initiate any project and carry it to its logical conclusion provided he can get a victim. He has every arsenal at his disposal



CONFIDENCE TRICKS: MIND-BENDING SCHEMES

The following are the mind-bending processes often employed by scammers to hoodwink victims and achieve their objectives.

(i) **News Sites and Sham Websites**

The scammers can provide links to real news sites on events or issues that are relevant to the transaction at hand such as the death of a prominent individual or government official. Both the website and the news may be real but the fraudster has nothing to do with the news; the news simply provides legitimacy or sympathy for the scam. Where the need arises, the scammers can also create sham or fake websites for purposes of impersonation or credibility.

(ii) **Visitation**

Victims are often invited to a country by scammers to meet genuine or fake individuals who have been carefully selected and positioned to act as if they are genuine in line with the scheme at hand. It is amazing how far fraudsters can go to simulate real life situations in support of a fraudulent project in their bid to inspire confidence in the mind of the foreign national who is physically present.

Stories have been told of how scammers have taken their victims to the exalted offices of the CBN Governor, Ministers or State Governors with all the paraphernalia of name plates, coat of arms and national flag, placed in strategic positions in the offices, only for the victims to later discover to their dismay that these offices and individuals they were taken to, did not really exist. Victims are known to have been kidnapped, ransomed or even killed in the process as was the case with the 29-year old Greek national, George Makronalli who was lured to South Africa and killed.

(iii) **Multiple Scamming**

Victims who have parted with a substantial amount of money in Advance Fee Fraud are often lured into another scam by the same fraudster parading as law enforcement officer. A sudden realization that he stands a chance of recovering the money he paid encourages him to pay additional money in the name of processing fee, insurance fee etc, as the clever scammer may request.

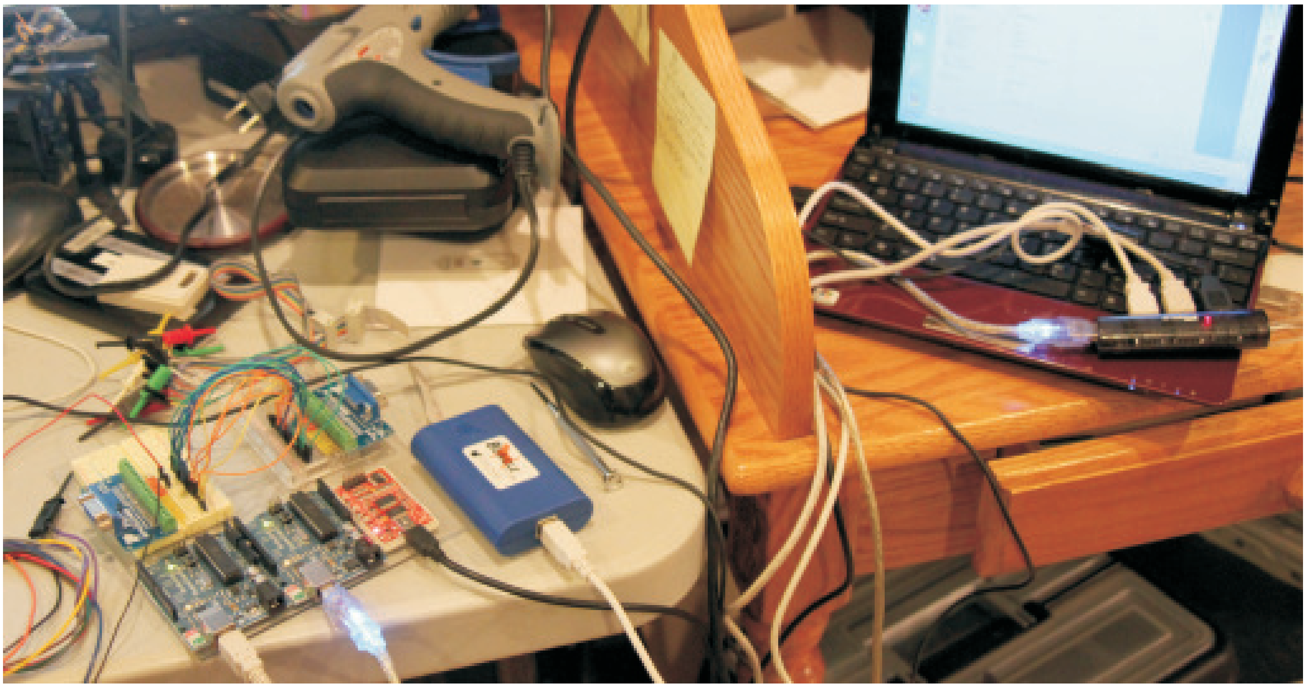
(iv) **Advertising of Fictitious Goods and Benefits**

The following are typical examples of this:

• Non-existent goods, such as cars, are advertised on the internet at a very attractive price with a promise to deliver it to the victim after full or part payment of the advertised price. Of course, any payment made is lost.

• False academic conferences are advertised and unsuspecting academics are enticed to apply to present papers. Scammers are aware of the common practice of sending free air tickets to academic participants while the latter pay for their accommodation. However, the scammer lures academics to send money for their accommodation in advance in exchange for free air tickets; the former takes place while the latter never materializes.

Several goods, services or anticipated benefits can be



http://dontstuffbeansupyournose.files.wordpress.com/2011/08/img_5848.jpg

used for this scam but the underlying principle is advance transfer of money which must be done electronically; the reasons for this mandatory electronic transfer have been explained earlier.

(v) **Romantic Scams**

The con artist has devised a money-for- romance initiative which can be operated in three stages that are not mutually exclusive:

• He approaches the victim through a social networking site, pretends to be interested and posts the photograph of an attractive person, not necessarily himself. With this confidence, the scammer requests for money to cover air ticket, hotel rooms and other expenses to enable him visit the victim.

• The scammer requests for financial assistance to enable him evacuate his wealth and escape imprisonment or persecution by greedy and corrupt public officials in his country; the wealth will be subsequently shared with the lover.

• The scammer asks for a fee in exchange for confidential information on the fidelity profile of a spouse.

(vi) **Assassination and Bombing Scams**

There are also two varieties of this:

• The con man can pose as an assassin and ask for money from the victim, offering to kill the person who contracted him for the original hit on the victim. He can also request for a large sum of money to call off the hit and pay back what was given to him.

• The scammer can also threaten to detonate a bomb on the premises of the victim unless a specific amount is transferred to him.

The above situations fall more within the realm of extortion than Advance Fee Fraud. However, it is not often obvious that they are empty threats most of the time.

(vii) **Fake Lottery Wins**

Notices of fake lottery wins are a regular occurrence in which 'winners' are asked to send some specific information to a free e-mail account. The scammer then proceeds to ask the victim to send some processing or registration fee without which the fund will not be released. More sophisticated scammers actually send fake, stolen or any other type of worthless cheque being full or part- payment of the win which encourages the 'winner' to pay the fee. The fraud only becomes evident when the cheque is deposited in the bank. Even the United States Diversity Visa Lottery has been hijacked in recent times by fraudsters who send false e-mails and text messages to 'winners' asking them to pay some money through Western Union Money Transfer.

(viii) **Donation Scams**

In this case, the scammer pretends to be championing a course in relation to natural, national or regional disaster, epidemics or terrorist attack and goes ahead to solicit for donations to assist the people involved accordingly. Although this is a high grade scam which records a high success rate, the impact on a particular victim is less as donations are made voluntarily, on the basis of affordability.

(ix) **Phone-Hacking Software?**

"If you receive a call on your mobile phone from any person saying that he is checking your mobile line and you have to press *'90'* or *'09'* or any other number, end that call immediately without pressing any number or letter. There is a fraudulent company using a device that once you press 90 or 09, they can access your SIM card and make calls at your expense. To make matters worse, they can use it for terrorist or other fraudulent activities and State Agents will, instead, come for you and you may be detained for what you knew nothing about"!

Although I cannot confirm the authenticity of the above message, which I received through my e-mail, nonetheless, I am using this medium to put it in the public domain while also advising that it is better to err on the side of caution.

(* Chuks Nwaze is the Managing Consultant/CEO, Control & Surveillance Associates Ltd)

Towards Nigeria's Economic Growth: What Role for the Maritime Industry?

*By **Sunday Enebeli-Uzor**

"No matter how information technology advances, the world trade cannot be materialised without ports. This is exactly why every country needs to develop much more advanced and efficient ports for its prosperity".
- Dr. Mahathir, Former Prime Minister of Malaysia

The maritime industry is unarguably one of Nigeria's most strategic industries, second only to oil and gas in revenue generation, and an essential part of the oil and gas industry which is presently the lifeline of the economy. The maritime industry has the potential to surpass oil and gas in revenue generation if optimally harnessed, and could contribute immensely towards the goal of massive employment creation. But despite being the nation's second largest revenue earner, the enormous potential of the industry is yet to be fully harnessed due to a myriad of challenges. Endowed with a vast coastline of over 900 nautical miles on the Atlantic Coast of West Africa, over 200 miles of exclusive economic zone, nine coastal states, and coastline comprising inshore waters, coastal lagoons, estuaries and mangrove, Nigeria is strategically positioned to be one of the major maritime hubs in the world, servicing four major land-locked African Countries – Mali, Burkina-Faso, Niger and Chad as well as serving as a transshipment hub for the whole of West and Central Africa.

With six major port complexes (Lagos, Tincan Island, Rivers, Delta, Calabar and Onne), ten crude oil terminals and several inland ports along the 3,000km of inland waterways including Onitsha, Oguta, Opobo, Lokoja, Baro, and Jebba, Nigeria has all it takes to be a beehive of maritime activities. Statistics from the Nigerian Ports Authority (NPA) shows that 5,327 vessels with 122,831,704grt entered Nigerian ports and crude oil terminals in 2011. With an estimated total number of passengers passing through the seaports in excess of 15,000 annually, Nigeria has all the trappings of a major maritime nation. Unfortunately, Nigeria is not yet a major player in the global maritime arena because a country's maritime status is measured by the percentage of the world's total tonnage flying the country's flag.

Even in the hay days of the defunct Nigerian National Shipping Line (NNSL) when Nigeria had a comparatively thriving maritime industry with 24 vessels in its national fleet, indigenous shipping companies accounted for just 11 percent of the total volume of Nigerian traffic and earned less than 9 percent of the total freight revenue. The Nigerian National Shipping Line (NNSL) was liquidated in 1995 due to huge indebtedness and its inability to compete with foreign shipping lines. For a country with over 75 percent of its trade being import-oriented, absolute reliance on foreign-owned vessels for its import and export trade has serious economic consequences. It is estimated that annually, a huge chunk of revenue – up to ₦2trillion (conservative estimate) is lost to foreign shipping companies involved in lifting of cargoes and petroleum products. In addition to this, huge employment opportunities are also lost due to denial of employment opportunities to Nigerian seafarers. Statistics also indicate that less than 20 percent crude oil lifting is presently executed by Nigerian flagged vessels.

In its determination to maximise the opportunities and potential of the maritime industry, diversify the nation's income stream and become a major maritime hub, the federal government recently unveiled a 25-year National Ports Master Plan for the sustainable development of the nation's seaports.

http://4.bp.blogspot.com/_LCc11YW20yI/TGwvI3ReovI/AAAAAAAAAxI/ISwbUWgW3Sc/s1600/Lagos+business+district+from+across+the+Apapa+quays.JPG

Number and Gross Registered Tonnage (GRT) of Vessels that entered Nigerian Ports and Crude Oil Terminals: 1995-2011

Year	No. of Vessels	Tonnage
1995	3,023	78,838,624
1995	3,202	83,939,447
1997	3,585	92,843,341
1998	3,972	97,892,193
1999	3,762	94,742,691
2000	4,087	123,037,909
2001	4,473	130,013,586
2002	4,143	118,211,042
2003	4,315	132,388,233
2004	4,553	160,905,554
2005	4,586	145,495,860
2006	4,800	141,455,773
2007	4,644	80,995,804
2008	4,477	89,597,975
2009	4,620	90,426,352
2010	4,962	108,621,872
2011	5,327	122,831,704

Source: Nigerian Ports Authority (NPA)

The Ports Master Plan among other things seeks to increase the capacity and infrastructure of Nigerian seaports. Besides the 25-year National Ports Master Plan, the federal government initiated a reform programme in the maritime industry sequel to the Cabotage Coastal and Inland Shipping Act (Cabotage Law) enacted to develop local capacity in the industry. The reform programmes under the auspices of the Bureau for Public Enterprises (BPE) essentially involves the concessioning of some of the nation's seaports, placing the management and operations of the ports on the concessionaires, while the Nigerian Ports Authority (NPA) remains the landlord and regulator.

The Nigerian Cabotage Law and Maritime Industry Development

The Coastal and Inland Shipping Act (Cabotage Law) was enacted in 2003, fashioned after Jones Act of the United States. The Cabotage Law essentially sought to reserve domestic coastal trade within Nigerian coastal and inland waters to Nigerian vessels in an effort to stimulate the development of indigenous capacity, infrastructure and labour in the Nigerian maritime industry, and accelerate economic growth. The Cabotage Law is government's second direct intervention to break the dominance of foreigners in the nation's maritime industry and rescue indigenous operators from imminent extinction. The first direct government intervention in the industry was the UNCTAD 40:40:20 cargo sharing formular, introduced by Decree 10 of 1987. The cargo sharing regime strictly reserved cargoes for indigenous shipping companies while the Cabotage law broadened the scope of intervention to protect a wider spectrum of indigenous operators in the maritime industry including ship builders, seafarers and other allied maritime services providers.

The law reserved the commercial transportation of goods and services within Nigerian coastal and inland waters to vessels flying the Nigerian flag – that is vessels owned and crewed by Nigerians. Foreign owned vessels and companies are however allowed to participate in Cabotage trade within Nigerian waters, subject to obtaining a waiver and/or a licence from the Federal Ministry of Transport. The broad objectives of the Cabotage law which are basically economic include: attaining national sufficiency in tonnage capacity, shipbuilding and seafaring; and acquiring the technical know-how in ship management. The law also seeks to earn and conserve foreign exchange for the country, preserve the internal and economic security of the nation and create employment opportunities in the maritime industry.

Several years after the enactment of the Cabotage law, its implementation and the benefits to the economy are believed to be very suboptimal. It is estimated that up to ₦2trillion annually is lost in capital flight to foreign countries which own vessels utilised to transport cargoes and lift petroleum products from the country. It is also estimated that less than 20 percent of crude oil lifting and natural gas shipment is presently executed by Nigerian flagged vessels. The country is also believed to be losing employment opportunities put at about five million in both direct and indirect employment

if local vessels were being engaged to lift the country's oil and non-oil cargoes. The attendant loss to the national economy also extends to losses from insurance of vessels valued at about ₦16.5 billion annually.

The Cabotage law envisaged a gradual investment by indigenous operators in capacity building through investing in ship acquisition and ship building facilities, investment in manpower development, and eventual attainment of the requisite international standard in the industry through partnership with foreign shippers. How well these lofty objectives have been achieved has elicited several debates.

Indigenous operators have continuously lamented the enormous loss of opportunities in the industry and in some instances there have been claims that the local operators fared better prior to the enactment of the Cabotage Law. The law has been adjudged as having failed to propel the active participation of indigenous companies in the nation's maritime industry. These agitations have informed the National Assembly's decision to review the Cabotage Law with a view to addressing its shortcomings to ensure that its objectives are achieved.

Challenges of the Nigerian Maritime Industry

The Nigerian maritime industry is beset by a myriad of challenges that have stifled its performance and growth over the years. Principal amongst these is the preponderance of foreign vessels in the industry. Foreign shippers with International Maritime Organisation (IMO) standard compliant vessels have effectively crowded out indigenous shippers. The industry is also grappling with acute shortage of qualified Nigerian seafarers as the country's pool of experienced seamen are ageing and retiring. The industry also has problems of insecurity, port congestion, and cumbersome cargo clearance procedures due to multiple government agencies at the ports resulting in serious delays. The menace of wrecks and abandoned ships in Nigeria's territorial waters poses serious navigation problems. The industry also has regulatory challenges as there is no commercial regulator.

Another major challenge is the non-availability of medium to long term finance. The maritime industry is highly capital-intensive, requiring medium to long term funding. The country does not have a shipping finance sector to support indigenous ship owners and operators with the much needed fund unlike what obtains in other climes – notably Singapore and Malaysia. The cost of a new vessel is estimated to be between $20million and $300million depending on its capacity. Indigenous players find it difficult to compete with foreign shipping companies considering that long-term funds are not readily available. This has in no small measure resulted in insufficient indigenous private sector investment in the maritime industry. Also, lack of maintenance facilities is a challenge for the industry as the country accounts for less than five percent of the maintenance of vessels that operate in its waters. This has severe consequences for the industry as vessels are taken to neighbouring Cameroun, Senegal and Ghana for dry docking and other routine maintenance.

Ports Concessioning in Nigeria, how well?

The federal government commissioned a diagnostic study of the maritime industry in 2001 in an effort to reposition the industry for enhanced productivity and private sector participation in line with international best practices. The study recommended the implementation of a landlord model of port management, accompanied by a number of interrelated institutional reforms. Under the landlord model, the government would be responsible for port planning, regulatory functions, and ownership of port-related land and basic infrastructure. The private sector would in turn be responsible for port operations and services. This would include terminal operations, cargo handling, warehousing, and delivery. The private sector would also be responsible for financing and implementing investments and maintenance for port superstructure and equipment, and for staffing and training of personnel to meet all of these responsibilities.

Following the recommendations of the study, the government over a two-year period, beginning in late 2004, implemented one of the most ambitious port concessioning programmes ever attempted. By mid 2008, 26 concessions were in place with long term operating leases ranging from 10 to 25 years following the approval of the National Council on Privatisation (NCP) and the Bureau of Public Enterprises (BPE). The government received over $115million from the private sector in revenues from various fees, out of a projected net present value of more than $1billion and a total nominal value of $6billion over the life of all the concessions. The government's savings in port operations were estimated to be in excess of $500million.

At the end of the concessioning process, the key features of the new institutional arrangement of Nigerian ports were altered and the Nigerian Ports Authority (NPA) was saddled with the following responsibilities: ownership and administration of land and water within port limits; planning and development of port operational infrastructure; leasing and concession of port infrastructure and setting benchmark for tariff structure. The NPA is also responsible for nautical/harbour operations and hydrographic survey; marine incidents and pollution; maintenance of safety and security at the common user areas; enacting port regulations and bye-laws as well as monitoring and enforcing them; and day to day monitoring of operations and enforcement of relevant sections of respective agreements. The Federal Ministry of Transport on its part was therefore left with the responsibility of policy formulation and planning at national level of basic marine infrastructure, legislation and international relations.

Since the commencement of port concessioning, the concessionaires have invested over $822million in developing their various terminals across the country which has resulted in significant improvement in cargo throughput at the ports, according to the Nigerian Ports Authority (NPA). However, several years after the concessioning process, controversies have continued to trail the exercise with complaints against the concessionaires especially for using the terminals for other purposes not contained in the agreement. Some concessionaires have been accused of monopolising the terminal to the detriment of the general public. There is also the belief that the goals of the reform are yet to be fully actualised.

Apparently giving in to incessant complaints, two years after the government embarked on a performance assessment of the port concessionaires, another government committee has been constituted to evaluate the entire port reform programme and advise the government on whether or not to review the port terminal concession agreements it entered into with the port operators. The committee is expected to examine the various agreements to determine the factors that have so far inhibited the realisation of the objectives of the ports concessioning and to advise government on the way forward. The committee is also expected to evaluate the performance of the concessionaires and their effectiveness in cargo handling and delivery. It will also evaluate the performance of the Nigerian Ports Authority (NPA) in terms of implementations and compliance with the terms of agreement.

Maritime Industry Intervention Fund

In recognition of the capital-intensive nature of maritime business and the need to assist indigenous shippers to play an active role in the industry, the Coastal and Inland Shipping Act (Cabotage Law) of 2003 established the Cabotage Vessel Financing Fund (CVFF). According to the law, the purpose of the fund is to promote the development of indigenous ship acquisition capacity by providing financial assistance to Nigerian operators in the domestic coastal shipping. The beneficiaries of the fund shall be Nigerian citizens and shipping companies wholly owned by Nigerians. The CVFF is presently funded through two percent surcharge of the contract sum performed by any vessel engaged in coastal trading and monies generated under the Act including tariff, fines, and fees for licenses and waivers.

The Nigerian Maritime Administration and Safety Agency (NIMASA) recently announced the appointment of four commercial banks as primary lending institutions for the disbursement of $157million from the Cabotage Vessel Financing Fund (CVFF) to eight indigenous shipping companies who have been shortlisted as the first set of beneficiaries of the Fund. Beneficiaries of the Fund are expected to receive a minimum of $10million with a one-year moratorium before repayment commences. Considering the size of the nation's maritime industry and the financial need of indigenous shippers, $157million under the Cabotage Vessel Financing Fund (CVFF) is paltry and a far cry from what is required to make any meaningful impact in the industry. Industry watchers have argued that the government should float a special intervention fund for the maritime industry as it did for the en-

http://www.naijapals.com/modules/naijapals/nigeria?action=dlattach&topic=11475.0&attach=5111&image

dation of the Nigerian National Shipping Line (NNSL) which hitherto trained sundry maritime personnel in the country. The dearth of requisite training facilities that meet the standards of the International Maritime Organisation (IMO) especially ocean-going vessels for sea time in the Maritime Academy of Nigeria (MAN) has also affected the quality of manpower the institution turns out.

In recent times however, efforts are being made to step up the training of sundry personnel for the maritime industry. The Nigerian Maritime Administration and Safety Agency (NIMASA) recently secured government's approval to spend ₦5billion for the establishment of maritime institutes in four Nigerian universities as part of government's efforts to promote the teaching of maritime related studies. The proposed institutes are expected to award degrees, diplomas and certificates in maritime related courses. Also, the federal government has commenced measures to upgrade the Maritime Academy of Nigeria (MAN) to a university status following the model of the Regional Maritime University (RMU), Accra, Ghana. Albeit belated, the proposed upgrade of the Maritime Academy of Nigeria (MAN) to a university

tertainment and textile industries and for any meaningful impact, the intervention should be in excess of $500million.

Meeting the Manpower Needs

There is a global concern about the shortage of qualified manpower for the maritime industry (estimated deficit of 83,900) against the backdrop of the rapid growth of the industry. Most Nigerian seamen are also ageing and retiring and there has not been a concerted effort over the years to train high calibre young seafarers. Presently, the Maritime Academy of Nigeria (MAN), Oron, Akwa Ibom State is the only institution responsible for supplying the manpower needs of the nation's maritime industry following the liqui-

Development of International Seaborne Trade, selected years (millions of tons loaded)

Year	Oil	Main Bulks	Other Dry Cargo	Total (All Cargoes)
1970	1 422	448	676	2 566
1980	1 871	796	1 037	3 704
1990	1 755	968	1 285	4 008
2000	2 163	1 288	2 533	5 984
2006	2 698	1 836	3 166	7 700
2007	2 747	1 957	3 330	8 034
2008	2 742	2 059	3 428	8 229
2009	2 642	2 094	3 122	7 858
2010	2 752	2 333	3 323	8 408

Source: United Nations Conference on Trade and Development (UNCTAD) specialising in the training of sundry maritime personnel will improve the attractiveness of the institution to prospective seafarers. It is hoped that these measures will yield the desired results and the country will produce qualified seafarers to take up available opportunities in the industry and contribute to the global pool of personnel for the global maritime industry presently populated by Filipinos who make up a significant proportion of the world seafarers.

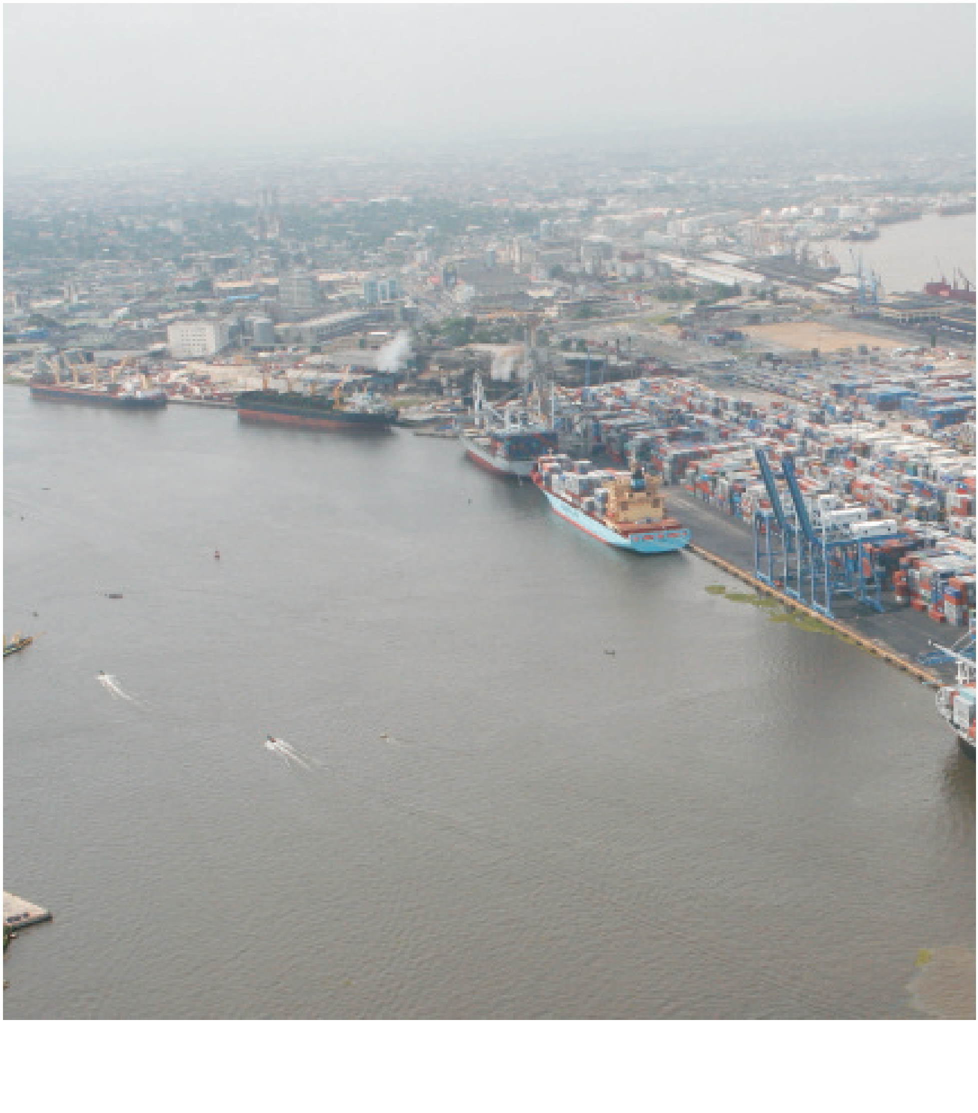
The Maritime Industry, Trade and Globalisation Nexus

It would be difficult to overstate the importance of the maritime industry to the economy. Transportation is one of the most important links in economic relations, providing the linkage between production and consumption, between different industries, and between countries/regions. The development of other modes of transportation notwithstanding, maritime transportation has always been the dominant support of global trade. Seaborne trade accounts for over 80 percent of global trade in terms of volume and about 70 percent in terms of value. Dry cargo (bulk, break-bulk and containerised cargo) accounts for 66.6 percent while seaborne goods loaded with petroleum products accounts for the remaining part. According to the United Nations Conference on Trade and Development (UNCTAD), even a higher percentage of developing countries' trade is seaborne. The main advantage of maritime transportation is obviously its economies of scale, being the cheapest per unit of all transport modes, making it ideal for the transportation of heavy and bulky goods over long distances.

Prior to the recent global financial crisis, world trade had undergone a period of rapid expansion. The Swedish Maritime Administration reckons that during the period from 1995 to 2007, trade grew more rapidly than the world Gross Domestic Product (GDP). Since 1995, world trade in goods has increased by 170 percent in nominal terms and 108 percent in real terms. In 1995, trade comprised almost 22 percent of the world economy and by 2007, it rose to 32 percent. In 2008, international seaborne trade was estimated at 8.2 billion tonnes of goods loaded before slipping to 7.86 billion in 2009 at the peak of the global financial crisis. According to UNCTAD data, world seaborne trade bounced back in 2010 from the contraction of the previous year and grew by about 7 percent, taking the total of goods loaded to 8.4 billion tons, a level surpassing the pre-crisis level reached in 2008. The impressive growth of trade was driven by increase in the volume of traded goods transported by sea.

The maritime industry is as old as global trade and has been its main catalyst. From the era of Egyptian coastal sail ships around 3,200 BC to the development of the steam engine in the mid 19th century, maritime transportation has been the dominant support of global trade. In addition to its catalytic role in world trade, maritime transportation is also a potent tool for external relations. Control of the global maritime industry and by extension foreign trade has, throughout history, been a strong interest in global diplomacy. Marine transportation played a critical role in the colonial era and European colonial powers – Portugal, England, Spain, Netherland and France were the first to establish a true global maritime trade network. These maritime networks were a significant tool of trade, exploitation and political control that the colonial powers deployed to expand their global empires. They were able to achieve this feat because of their prowess in marine transportation.

Transportation is also one of the four cornerstones of globalisation, along with telecommunications, trade liberalisation and international standardisation. International transportation however predates globalisation and its importance in the contemporary global economy keeps growing, with the former as a prerequisite for the later and both mutually interdependent. Access to international markets has been a critical driver of economic growth for any economy. Foreign trade



http://nigeriatraveldigest.com/Images/port-pix1.jpg is beneficial to both trading partners as the prosperity of a nation is largely dependent on its ability to import necessities and export its surpluses. The maritime industry facilitates trade between countries and has broadened the frontiers of globalisation. Although developing countries may not have benefitted from globalisation as much as developed countries, globalisation nonetheless has been beneficial to developing countries. For Nigeria to benefit optimally from a globalised world economy where foreign products symbolises status, the country must be an active player in the shipping of products to and from its shores.

Taking a cue from Malaysia

Nigeria and Malaysia have a lot of similarities in their economic history being developmentally at par in the early 1960s with similar economic indicators. However, while Malaysia has achieved globally acknowledged impressive growth since its independence from same colonial masters three years earlier, Nigeria is still grappling with a myriad of developmental challenges. Malaysia has transformed from a commodities-based economy and is now well on track to become a fully developed nation by 2020. One of the major drivers of the Malaysian success story is the maritime industry which contributed immensely to the country's economic miracle.

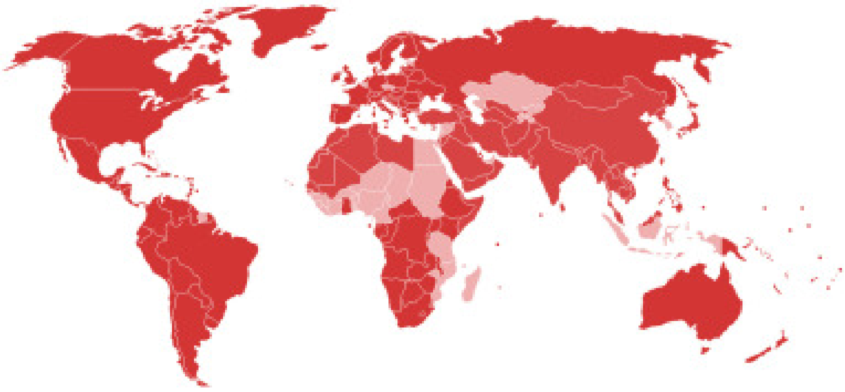
In the 1970s, Malaysia had seven ships in its National fleet but presently has over 200 ocean liners. Nigeria which had 24 vessels in its fleet within that same period presently does not have a single ship in its name. Whereas Malaysia has been able to harness its maritime potential and now depends on it to facilitate its growing international trade and offshore oil and gas exploration and production, Nigeria relies almost absolutely on foreign shipping lines to lift its crude oil and natural gas. Nigeria's aspiration to be amongst the top 20 largest economies in the world by the year 2020 is to a reasonable extent dependent on its ability to play in the global maritime arena. This is so because of the important role of the maritime industry not just in the facilitation of trade between Nigeria and its trading partners but also in the revenue that is accruable from the industry and the employment opportunities it can create.

Looking Ahead: Bright Future

Although the maritime industry is old – predating the country's independence, the opportunities in the industry are limitless for operators and the potential benefits to the economy are enormous. The ambitious institutional reforms in the industry in the recent past has no doubt yielded some positive impacts especially noticeable improvement in Cargo Dwell Time (CDT), cargo throughput at the ports, and security of cargoes; but there is still room for further improvements. Concessionaires should make the country's ports more user-friendly to attract clients to their terminals and discourage them from patronising ports in neigbouring countries. Recent efforts by government such as the reduction in the number of its agencies involved in cargo clearance procedures at the ports from fourteen to five and 24 hours operations at the ports should be sustained and improved to achieve 48 hours cargo clearance time as is obtainable in neighbouring countries' ports.

Government's effort to attract foreign investment into the nation's maritime industry is beginning to yield results. Recently, South Korean Group, Hyundai Heavy Industries – one of the world's largest shipbuilders, signed an agreement to build a $7billion shipyard in Nigeria. The unprecedented feat – adjudged as one of Africa's biggest foreign direct investment outside the oil and gas industry, is an indication of the huge opportunities in Nigeria's maritime industry and its bright future. The investment is a wake-up call to other discerning foreign and indigenous investors to take position in the industry as the government step up efforts to make Nigeria a major maritime hub in the world.

(* Sunday Enebeli-Uzor is an Analyst, Zenith Economic Quarterly)



"The past is a foreign country: they do things differently there"

('The Go-Between'by L P Hartley - Published 1953)

* By **Neil Hitchens**

For equity investors 2012 started formidably with superb rises seen across the board in the major stock market indices during January and February, but after this the March and April returns have been more disparate as that initial surge of enthusiasm is gradually replaced by the realisation that, as always, this is a marathon not a quick dash. In a similar way to a long distance race, the leaders over the initial part of the course are rarely those contending for medal positions at the end – it is all about stamina and not necessarily about short term sprinting ability. The pace makers in any longer distance race, while eventually finishing, are there just to ensure the serious contenders are in with a chance of a gold medal.

The global economy though, overall, is now showing definite signs of improvement – as we had expected. The International Monetary Fund (IMF), usually not the most optimistic of organisations, acknowledged at their 2012 Spring Meetings in Washington that there was a "timid" recovery but that collective action was still required by policy makers to address a range of challenges. As we have already highlighted the euro zone remains the epicentre of potential risk but the IMF did add that action taken in the past 6 months displayed determination to defend the common currency. Almost as footnote they added that geopolitical uncertainties continue to affect the oil market – something that we had already put in the spotlight.

Even with these lurking uncertainties real Global GDP growth should pick up gradually during 2012-13 from a trough seen in the first quarter of 2012. The data emerging from both the United States and the emerging economies remain supportive. The IMF has raised its projection for the United States to a 2.1 percent growth rate for 2012 and 2.4 percent for

2013. It has also slightly improved its forecast for the euro area compared with its initial assessment in January 2012 but it still projects a mild contraction in the euro area, where concerns about high sovereign debt and fiscal consolidation have taken a toll, although Germany and France might see positive growth. The figures for Japan show the country bouncing back from last year's destructive earthquake and tsunami and the official forecasts for a recovery of 2 percent still look a little on the light side.

Overall, global growth is projected to drop from close to 4 percent in 2011 to about 3½ percent this year, picking up to 4.1 percent in 2013. Again I do feel that these figures are far too cautious and that the eventual numbers will prove to be higher than this. Despite the fact that the past 6 months have been a rollercoaster ride the baseline scenario is one where growth continues to be slightly slow in advanced economies with better and sustained results from both emerging and developing economies.

The risk of things turning bad again in Europe is high and the IMF continues to press for additional resources to enable it to contain economic contagion in the event of a new crisis and governments should strengthen policies to solidify the weak recovery and contain potential risks that can weigh on consumer and investor confidence.

The outlook for Latin America is promising with the notable exception of Argentina. Here the recent moves to start nationalizing key resource areas of the economy do not bode well. The recent expropriation by the government of YPF, a subsidiary of Repsol, in April marks the start of a worrying trend for inward investment in the country.

Outlook by region

• **North America**. U.S. economic growth is projected at 2.1 percent in 2012 and 2½ percent next year, reflecting ongoing fiscal consolidation and continued weakness in housing prices. In Canada, growth will moderate slightly to close to 2 percent.

• **Asia.** Lower demand for Asian exports will act as a drag on growth in the region but Asian economies remain firm buoyed by continuing domestic demand. In China the resilient domestic market along with limited financial spillovers, room for policy easing, and the capacity of Asian banks in general to step in as European banks deleverage suggest that the soft landing under way is likely to continue – but this should always be taken in context . Overall, growth in Asia will average 6.0 percent, with China slowing to 'only' 8.2 percent and India to 'only' 6.9 percent – figures that all European and North American economies can only aspire to.

• **Europe.** Real GDP in the Euro zone area will continue to contract in the first half of 2012 but then slowly start recovering – the exceptions here being, as you would expect, Spain, Italy, Greece and Portugal where any signs of recovery are likely to be seen only in 2013 at the earliest.

http://casadecolores.files.wordpress.com/2011/03/img_11951.jpg

Many advanced economies outside the Euro area avoided large pre-crisis imbalances, which helped cushion the impact of the European crisis. But in the United Kingdom, whose financial sector was hit very hard by the global crisis, growth will be weak in early 2012 but will eventually pick up to start moving towards its longer term trend.

Growth in Emerging Europe is projected to slow sharply to 1.9 percent this year, reflecting its strong economic and financial linkages with the Euro zone. Europe as a whole will see a combined projected growth rate of 0.2 percent in 2012 and 1.4 percent next year.

• **Russia and Commonwealth of Independent States.** Weaker exports to Europe and policy tightening in some of the smaller CIS economies will moderate growth this year, even though commodity prices are forecast to remain high. Overall growth will fall to 4.2 percent.

• **Latin America and the Caribbean.** Growth is projected to moderate to 3¾ percent this year before recovering to post a growth rate of above 4 percent in 2013. Overheating risks have receded but could re-emerge if capital flows rev up again, putting exchange rates under pressure.

The outlook for Latin America is promising with the notable exception of Argentina. Here the recent moves to start nationalizing key resource areas of the economy do not bode well. The recent expropriation by the government of YPF, a subsidiary of Repsol, in April marks the start of a worrying trend for inward investment in the country. Spain has already officially complained about this action and an economic blockade of sorts should not be ruled out – certainly the bond markets have been quick to price in significant amounts of counterparty risk and we have recently seen benchmark borrowing costs rise above those of Venezuela. 5 year Argentinean Dollar denominated debt at 12.50% does not augur well. However when you have a country with double digit inflation and a ballooning balance of payments deficit any distraction from economic reality is useful.

Latest IMF projections

Real GDP growth should pick up gradually during 2012-13, but risks remain elevated, particularly from Europe and oil.

(percent change)

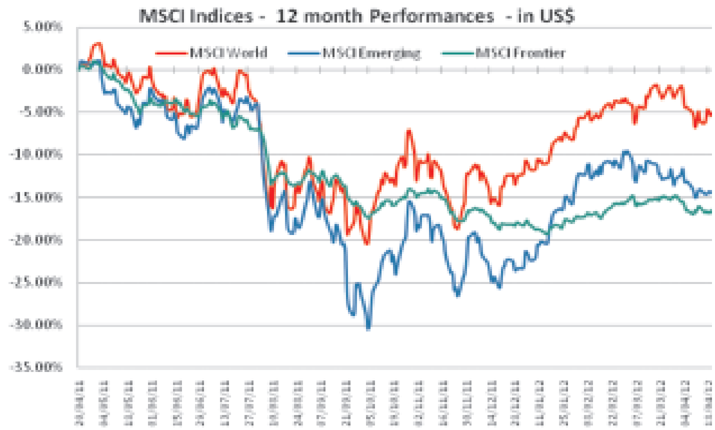
			Projections		Difference from January 2012 WEO projections	
	2010	2011	2012	2013	2012	2013
World Output	**5.3**	**3.9**	**3.5**	**4.1**	**0.2**	**0.1**
Advanced Economies	**3.2**	**1.6**	**1.4**	**2.0**	**0.2**	**0.1**
United States	3.0	1.7	2.1	2.4	0.3	0.2
Euro Area	1.9	1.4	-0.3	0.9	0.2	0.1
Germany	3.6	3.1	0.6	1.5	0.3	0.0
France	1.4	1.7	0.5	1.0	0.3	0.0
Italy	1.8	0.4	-1.9	-0.3	0.2	0.3
Spain	-0.1	0.7	-1.8	0.1	-0.2	0.4
Japan	4.4	-0.7	2.0	1.7	0.4	0.1
United Kingdom	2.1	0.7	0.8	2.0	0.2	0.0
Canada	3.2	2.5	2.1	2.2	0.3	0.2
Other Advanced Economies	5.8	3.2	2.6	3.5	0.0	0.1
Newly Industrialized Asian Economies	8.5	4.0	3.4	4.2	0.1	0.1
Emerging and Developing Economies	**7.5**	**6.2**	**5.7**	**6.0**	**0.2**	**0.1**
Central and Eastern Europe	4.5	5.3	1.9	2.9	0.8	0.5
Commonwealth of Independent States	4.8	4.9	4.2	4.1	0.5	0.3
Russia	4.3	4.3	4.0	3.9	0.7	0.4
Excluding Russia	6.0	6.2	4.6	4.6	0.2	-0.1
Developing Asia	9.7	7.8	7.3	7.9	0.0	0.1
China	10.4	9.2	8.2	8.8	0.1	0.0
India	10.6	7.2	6.9	7.3	-0.1	0.0
ASEAN-5[1]	7.0	4.5	5.4	6.2	0.2	0.6
Latin America and the Caribbean	6.2	4.5	3.7	4.1	0.2	0.1
Brazil	7.5	2.7	3.0	4.1	0.1	0.1
Mexico	5.5	4.0	3.6	3.7	0.1	0.2
Middle East and North Africa (MENA)	4.9	3.5	4.2	3.7	0.6	-0.2
Sub-Saharan Africa	5.3	5.1	5.4	5.3	-0.1	0.0
South Africa	2.9	3.1	2.7	3.4	0.1	0.0

Source: IMF, *World Economic Outlook*, April 2012.
[1]Indonesia, Malaysia, Philippines, Thailand, and Vietnam.

• **Middle East and North Africa.** Growth in the region's oil importers will be constrained by strong oil prices, weak tourism associated with the social unrest in the region and lower trade and remittance flows reflecting the ongoing problems in Europe. Among oil exporters, negative developments in the Islamic Republic of Iran are projected to be offset by increased oil production in Iraq and Saudi Arabia and a bounce back in Libya. Overall growth for the region is forecast at 4.2 percent in 2012, with oil producers buoyed by continued high oil prices, but inflation will average 9.5 percent.

Greece – will it all end in Tragedy?

At the eleventh hour in late February the second Greek bailout of some €130 billion was resolved and markets breathed an (initial) collective sigh of relief. Some two months on the Euro zone remains a significant area of concern and all that has probably happened is that the Euro zone has bought some more time, yet again. It is safe to say that we are nowhere near a final resolution here



Source: MSCI Barra / Bloomberg

and while the risk premium has dissipated it has not disappeared - a new €28 billion additional loan from the IMF for Greece agreed on March 15 under the Extended Fund Facility (EFF) is a worrying portent of things to come.

The EFF was established in 1974 to provide assistance to countries experiencing serious relatively long-term payments imbalances because of structural impediments. Such imbalances limit access to private capital. An EFF can also be useful for an economy characterized by low growth and an inherently weak balance of payments position. Given that structural reforms to correct deep-rooted weaknesses often take time to implement and bear fruit, the EFF is in place longer than most Fund arrangements—the Fund remains engaged with the member country during the design and implementation of adjustment policies.

A key ingredient in the government's revamped economic strategy was the successful conclusion on March 9 of a substantial write-down of Greece's debt which saw private sector investors "voluntarily" agreeing to write down (or, in real language, "Lose") 75 percent of the value of their Greek bond holdings. It is the largest and steepest debt reduction agreement in history. This I am afraid will not be the end of the story and the wheels could easily come off the rescue vehicles that are now in place. A leaked internal report on debt sustainability admits that the Greek authorities may not be ableto deliver structural reforms and policy adjustments at the pace envisioned. Debt ratios will remain stubbornly high for at least the next decade and any further shocks, large or small, would produce unsustainable dynamics.

While many continue to celebrate Greece avoiding chaos relative calm has come at a price. Germany will contribute approximately 28 percent of the recent bailout – some €37 billion – and now owns the problem – the skill will be in transferring the problem back to the Greeks.Renewed financial support from Greece's international partners will help cover the funding gap for now and give the government time to implement further reforms. But even with the substantial private debt write-off that was just agreed, Greece's debt will remain very high for some time.

As we have stated before any Greek asset whether it be a bond or equity remains an **AVOID AT ALL COSTS.**

Equities - Where do we go from here?

Markets have, as can be seen in the graph, have rallied well from the lows seen at the beginning of the last quarter of 2011 – we have seen a rally of +19.25% for the MSCI World Index itself, but only +4.88% in the Emerging Markets Index and +1.16% for Frontier in the same period. But over the past year the MSCI World Index (measured in US$) has gone nowhere net/net – in fact a 12 month performance of -5.07% is probably a fact that most investors and fund managers have either quietly forgotten about or do not wish to remember.

Returns for the Emerging Index at -14.52% and the Frontier Markets Index, -16.49% have been equally dissapointing. The real question now is 'where do we go from here' and in the short term it is very difficult to see a clear path for the next month or two at least. Global markets from an April 2012 persepctive look likely to have, at best, a holding pattern where recent gains are consolidated in the absence of any significant change from the current forecasts of upcoming economic data releases this side of the Summer.

However this does not mean that **all** markets are likely to remain marooned at current depressed levels for

extended periods – we still see a slow push ahead by markets in the US.

The Dow, as we commented previously when we postulated about its near term direction, soon after our article broke a pre-existing 2008 high of 13,058 (a technical upside resistance level) to close on March 14^{th} at 13,166 before pushing higher on April 2^{nd} to close at 13,263.49 (Intra-day it also hit a high of 13,297.03). The Dow Jones Index, despite recent wobbles is, as we write this, still hovering around 13,000 – still a very creditable a rise of +6.42% for the year to date.

The S&P 500 has also had a very good run and ended the first quarter up +12.00%, its best first quarter for many years and despite recurring bouts of market nervousness over a wide range of known unknowns remains higher for 2012 and is still nearly +9.1% year to date.

What can be gleaned from these two US market performances is that the S&P 500 Index, being the more diverse indicator, has gained on the back of advances in the majority of its sectors, rather than being skewed with rises in only a few. Of the 132 actively measured sub-groups in the S&P 500, there were advances in 109 sector group (83% of all categories) and losses in only 23 (17% of all subsectors). The performance ranges from +39.79% for the Computer Hardware Sector (a sector that contains only 3 stocks – Apple, Dell and Hewlett Packard) to a rather disappointing -31.50% for the Education Services Sub-Industry Sector which contains only 2 stocks – Apollo Group and DeVry Inc. As before we cannot overemphasise the dangers of such blind sector specific stock "chasing" – the wider ranging, almost quasi-passive approach will always give you a smoother and less volatile overall performance, as well as a slightly better night's sleep!

http://www.yachts-sailing.com/public/uploads/destinations/images/Greece__02.jpg

While we do include a proportionately limited exposure to single stocks within some of our investment portfolios they are rigidly enforced and are suitable only for those clients that have specifically been screened and approved and those that are additionally deemed to have a higher than average tolerance of risk . While returns have been 'interesting' they have overall been quietly satisfactory – but I must stress that any individual stocks mentioned here are not by themselves an endorsement of any particular position.

We recently cut back our matrix exposure to Apple Inc. – using the run up in price this year from $405 to $611 (as at the time of writing) as a good end-quarter opportunity to reweight the position on the back of then unrealised profits back to a matrix specific norm after a rather surprising, but not entirely unwelcome (!), +51% rise for 2012. While we find recent pronouncements by supposedly 'expert' analysts that the stock could soar to well above $1,000 doubtful, we again are mindful of the investment maxim- "Right Direction, probably Wrong Absolute Number".

Apple though is a stock that continuously appears at the top of our US stock selection models. It is a world beating company with an almost monopolistic hold within its specific IT sector. Certainly it is time for a 'breather' here and the stock itself will most probably lurk around the $600= level for a while until the almost inevitable speculation as to the exact timing of the release of the iPhone5 coupled with what is already looking like a very strong showing for the new iPad3 (one of which, for the record, your author has).

On a technical basis then US markets continue, for the moment, to look reasonably healthy and we would look for an initial sideways move from the current 1,360 levels of the S&P to eventually move to higher levels and in this process see the index taking out technically important earlier highs of 1,426.63 (19^{th} May 2008), 1,515.96 (10^{th} December 2007) and then the final confirmation that the equity market at least, is in uncharted territory by taking out the old closing high of 1,565.15 of 9^{th} October 2007.

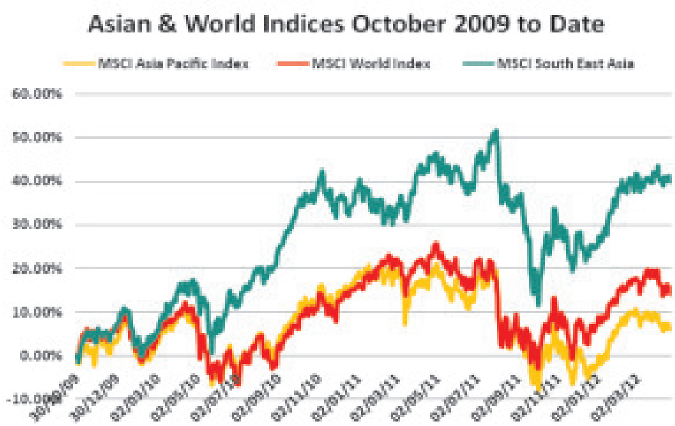
Such a +15% move will definitely not happen this quarter (we can but hope), but given the slower, steadier and broader overall move in US equities this year it is looking increasingly likely this will happen at some stage during 2012. It is highly possible that come Election Day, Tuesday November 6^{th}, given both the increasing realisation that the US economy is recovering faster than first predicted and the current likelihood that President Obama will most probably win a second term – even against the now probable opponent in the shape of the Republican candidate Mitt Romney - that the S&P 500 could at that critical date either be at, close,or even above the all-time high. What happens after this, though, remains to be seen. Certainly the US is rapidly returning to its favoured position as the '"**World's Leading Economy**", even if it is inevitable that it will still eventually lose the badge of the world's *largest* economy to China.

Other Developed equity markets have seen similar rises, but the sensation that these rises are running out of steam is increasing on a daily basis – especially in Europe.

In **London**, despite the FTSE 100 ending the first quarter up a very reasonable +3.54% this was a performance level that had already been reached in mid-January – the index then basically did not move on a net/net basis for the next 10 weeks and is currently showing severe signs of 'rally fatigue'. In the UK as with the US the wider the spread of the index and the more diverse the underlying market the better the performance. Indices such as the FTSE 250 which is not quite so closely followed internationally has performed around 9% better that the FTSE 100 so far in 2012 with a similar level of relative outperformance also coming from the FTSE Small Cap Index (265 underlying constituents). This, though, to the seasoned investor is confirmation of the rally fatigue in the largest capitalised stocks and such a temporary mismatch in performances can be quickly eliminated when investor sentiment returns.

While maintaining our overall index-based investment bias we have seen our individual stock picks performing better than the overall index – the craft and guile here is to be absolutely confident in any such picks; double check your results against not one but two benchmarks and keep your eye on the stock price on a daily basis. Those portfolio matrices with the highest acceptance of risk have been rewarded with strong performances in such UK stocks as Avon Rubber (+47.13% rise before we crystallised the profit) and Oxford Instruments (+76.64% - on-going) – however, as we wish to reinforce to all readers never be afraid to 'take the money and run'. If any stock starts to show signs of running out of steam by not being able to move higher on either an absolute or relative basis, combined with weakening fundamentals and poor technical signals never, ever, be afraid to take a profit. If you exit prematurely you can at least re-enter the trade, even at a higher price if the fundamentals return. If you are wrong and hang on purely because the position "is in the matrix" then you **WILL** lose money – in investing as in life, things change and what was valid yesterday may not necessarily be so today. Welcome to my world…..!

In **Europe** where the Bloomberg Europe 500 Index is showing a modest return year to date of +4.7% we have seen overall and relative returns from Germany where the DAX Index is up, +13.4%, year-to-date – this is in complete contrast to France where the CAC 40 is now flat for 2012 a result that is due partly to the likelihood that President Sarkozy will lose the Election in May, the worry about the Leftist policies of the probable winner Francois Hollande and general but as yet [officially] unstated fears that France could be the weak link in the Euro chain.



But it is 'game over' for a pure Japanese equity exposure

Sayonara Japan!

Konichiwa to the rest of Asia!

It could well be a long, hot Summer in Europe and markets there could well end up moving nowhere on a net basis for 3 or 4 months, or even longer – especially if the uneasy truce in the Euro story looks like ending. The UK, it should be noted, did not eventually escape the dreaded return of the double dip recession, Europe I fear will not be as lucky and will fare far worse; recent economic releases seem to show that, as we subconsciously expected, the green shoots of recovery in the Continent appear to have almost immediately wilted.

The release right at the beginning of April of PMI data for the US, UK and Euro zone has reinforced the recent trend. PMI, or the Purchasing Managers Index, is a closely followed indicator. The Index is a monthly snapshot of near term trends of the likely purchase of goods and services by managers. A reading above 50 indicates improvement, below 50, suggests a decline. The latest UK numbers were far better than expected with a 52.1 reading, indicating eventual accelerating growth, the US figure for March, was an eye-wateringly higher than dared for 53.4 reading. The Euro zone on the other hand continues to show receding numbers; a March reading of 48.7 comes after earlier readings of

http://upload.wikimedia.org/wikipedia/commons/6/63/Lujiazui_2008.jpg

49.3 in February with the likelihood of this lower trend continuing.

Away from Europe and North America. In the shadow of this newfound enthusiasm for equities there remains an oasis of calm that receives continued and occasionally frenetic coverage but which continues to disappoint. This market is still officially classified (in terms of overall market capitalisation) as a major index it remains stubbornly some -75% off its all-time high of December 1989 - nearly a quarter of a century ago.

I am, of course, talking about the Japanese stock market and its twin main indices the Nikkei 225 and the Topix.

Some 50 or 60 years ago Japan was the future but 2010 marked the start of what will be an unstoppable trend apparently for the next few decades, it was the year when the Japanese population began to shrink, a contraction that at the moment seems incapable of being halted. The population peaked in 2010 at 128 million: in 2011 fell slightly to 127.76 million and the population is now expected to fall by nearly a third to around 89 million in 2055 - only 43 years' time. Quite at what level the population eventually stabilises is hotly debated.

This is already impacting Japanese equities. For nearly 10 years the Nikkei has net/net had literally "Zero Growth". The Nikkei closed on April 24th 2012 at 9,468.04 - its closing level on 5thMay 2002 was 9,475.60 – an under impressive -0.08% return in 10 years.

Yes – in 10 years the Index has moved a net 7.56 points. Points! Not Percent!

Most other Developed Markets have prospered during this time.In the same period the US Dow Jones has risen roughly +48%, Hong Kong, +110% and London, +38%.

Emerging Markets have moved even faster. China, as measured via the Hang Seng China Enterprises Index rose +500%, India, +448% and Brazil, +535%. All this shows what can be gained by a simple diversification away from unthinkingly following an index 'because it is there'. All these performances include the side-effects of the latest global financial crisis.

The situation in Japan looks dire. As the population ages existing equity holdings will be sold by the senior sector which owns the vast bulk of the country's huge pool of savings. The under 30's are generally equity averse. Sales into a one way market will merely depress prices.

Bearing this in mind I am calling 'time' on a specific allocation to Japanese equity holdings - with some very limited individual exceptions. From today Asian investing has to be thought of as an "Asia ex-Japan" play.

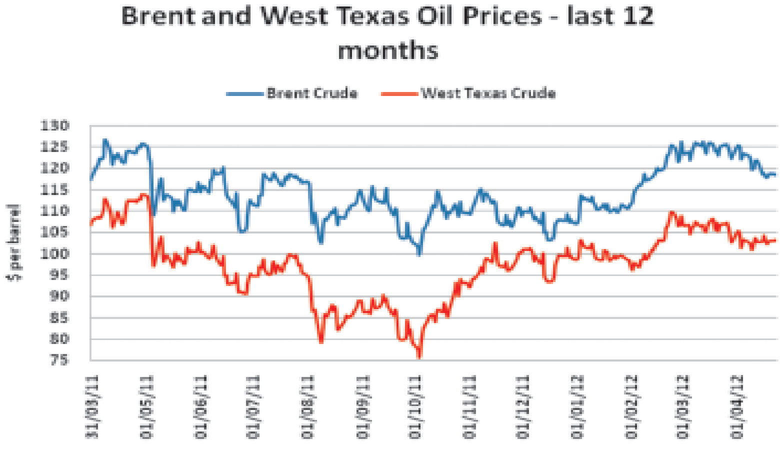
If you review even the last 40 months performances of the general Asian Indices you will see that the MSCI World Index (which has a modest Japanese weighting) has risen +14.29% and the MSCI Asia Pacific (with a proportionality far larger weighting in Japan) rose less to end the period +6.09%. This though is in sad contrast to the performance over the same period of the MSCI South East Asia Index +39.89%.

The trigger for this probably much overdue realisation was the [latest] financial scandals at Olympus - where the Chairman was ousted for 'daring' to question the legality of $1bn paid away in 'fees' and the AIJ Fund with "the money that never was" - $2 billion went missing and no-one noticed. Incredible!

Independent audit and reconciliation of assets anyone.....?

Far from Japan embracing the necessity of financial openness, it really is still 'business as usual' - the old, tired, unthinking and unquestioned system of decades long corporate cross-holdings, low actual free float ratios, business conducted behind closed doors and management generally afraid and/or unable to embrace change. Yes, there are a few notable exceptions as there are in any sample - companies supremely international in their outlook, following not necessarily cutting edge methods to enhance shareholder value but embracing revolution and evolution. Most, though, remain entrenched in the mid-20th Century. Quite how 'open and fair' a stock exchange listing is for a company such as 'Imperial Hotel Ltd.' (9708: JP) – where the average daily turnover is $45,000 or less - must be questioned.

The Nikkei 225 will, I admit, probably rise in the coming years, but only at a similar but slower pace to its larger equity neighbours China and India; we also acknowledge that there will be periods when Japanese equities may also outperform for brief periods.



Source: Bloomberg

Oil – still volatile

Oil prices are orbit close to recent higher levels after the gains of the past 6 months. The expected first quarter oil price spike was slow in fading which is a little unusual. Brent crude seemed unable to decisively break through the $125 mark in March at $122.88, having intra-day as high as $126.22. West Texas (WTI) moved in a similar fashion to Brent but was slightly softer overall on a lack of negative news from the Gulf as well as some end of quarter profit taking. Also lurking in the background are worries that the US Government may turn its attention to the US oil companies and may try to clamp down on what it describes as "oil-price manipulation".

This seems a little strange given the open nature and absolute size of the global oil market. The problem with prices where they are is that supply and demand are not equal. The US consumes 20% of the world's oil supply but produces 2% itself. In an age where global oil demand is expected to rise by more than 25% by 2015, to over 105 million barrels a day, if you want a slice of the action you will expect to pay a higher price.

Underpinning all this is the unnerving fact that the underlying tensions in the Gulf region remain. Even though there have been fewer confrontational or reactionary comments from the Iranians recently the situation remains a delicate one. Normally when a potential flashpoint such as this goes quieter, combined with increasingly negative news about the overall European economic situation the end result should normally be a marked downward pressure on prices.

This is not happening either as quickly nor as solidly as usual and this in itself does start to raise questions as to what really is going on behind the scenes. Despite the initial positive outcome of the talks held recently in Istanbul between Iran and various members of the UN Security Council it is possible that the Iranians are merely biding their time and are, if anything, a 'known-known' and would not hesitate to do anything that could cause both the maximum possible disruption and have the maximum possible effect.

Oil therefore remains 'One to Watch?

The Iranians, increasingly aggravated with the ever tightening noose of a Western embargo on their own oil exports, remain a volatile entity. Recent moves by the US to defuse the tension in the region have been met with counter-embargoes by the Iranians. Until the root of this problem, the Iranian nuclear program, is sorted out, tensions will continue to ratchet up and the odds that one side or the other will "do something stupid" out of sheer frustration grow by the day. Added to this volatile mix are the accusations by the Thai authorities that Iranian nationals were responsible for a series of recent explosions in Bangkok, with additional inference that similar plots in India and Georgia were thwarted by the authorities.

It remains increasingly possible that, as we have warned before, the Straits of Hormuz will be the flash point of a brief but highly disruptive military skirmish, most probably started by the Iranians deploying mines. This maritime act, on its own, would be something that could be quickly and efficiently cleared. The fear is this could be used as an excuse to neutralise all Iranian nuclear facilities.

IF this happens, then all bets are off.

Oil would 'flash' to levels substantially above the old highs seen in 2008, gold would follow suit. However, such spikes are just that - spikes and prices should, normally, be expected to return to near current levels quite quickly.

There is a trading opportunity for those with nerves of steel, but it will be a fleeting opportunity.

Gold – losing its lustre?

Despite the slight relative easing of global geopolitical tensions Gold has been

rather ignored. The steep sell off at the end of February has not been followed with any significant new buying and the yellow metal has still managed to average $1,681.93 an ounce so far for 2012. The continuing but rather well camouflaged economic problems simmering away in Europe are counter balanced by the continued strong demand for gold from Asia which short-term results in a net zero sum game for the metal.

However, the Iranian situation aside (which if, or when, it explodes would push the price sharply higher), there are signs that the current lull in gold activity could be temporary. Fed Chairman Bernanke in a speech made towards the end of March concentrated on the US jobs market and rekindled speculation about another bout of quantitative easing (QE) by the Federal Reserve. Immediate market reaction was very clear - the gold price moved higher – a positive sign for the future.

A stimulus plan, or QE3 is still on the table even though Bernanke didn't refer directly to this issue; he just kept this option open without committing to it. Despite better figures in some areas of the US economy it doesn't mean we are out of the woods and there is still the chance of one final stimulus package. On top of that the U.S is in an election.

Nevertheless, Bernanke's speech will probably keep the floor in place under **gold and silver prices.** It is looking increasingly likely that the bottom is in place for both metals but that does not mean we will move sharply higher from here. Most probably in the absence of any near-term major geopolitical events prices will move sideways for a while but the underlying tone will be one of a gradual higher move.

However if, as the US economy recovers, there is an upsurge in inflation then this changes not only the probability of a sharp eventual rise in the Gold price it also accelerates the speed at which this happens.

Until then the watchword has to be "Steady as she goes"; however, as we celebrate the Centenary of the RMS Titanic's sinking – Watch out for Icebergs!

http://www.freeimageslive.co.uk/files/images002/oil_industry296.jpg

History – is it any different in Europe in 2012 from 1815?

Say you were the winner of a raffle and the prize was your choice of a German, Portuguese or Greek car. You are told nothing further.

Which prize do you choose?

If you chose a Portuguese or Greek-made car in preference to a German one, you need read no further, for nothing I write can possibly help you…..........

If you instinctively and automatically chose the German car, you can see why the Euro zone is in such trouble. For if the prize was a household appliance or some manufacturing equipment, German-made would remain the best choice. The Euro was introduced by treaties that required member nations to abide by strict limits on sovereign debt levels and deficits. But there's always been an elephant in the room - the value of a nation's currency is not determined solely by its debt and deficit levels.

Productivity and export income matter, enormously. People rarely mention this big problem as there are no easy solutions for it. For 130 years before the Euro, Greece's currency slowly and steadily declined in value against richer nation's currencies, as did the currencies of Portugal, Spain and Italy. These progressive devaluations kept the less productive nation's exports competitive.

As an example, the same happened, in Australia in 1997. Economists around the world agreed Australia would have a recession in the wake of the one that was then happening in Asia. However, the Australian economy managed to step aside in the nick of time due to the depreciation in the Australian Dollar.

The Australian Dollar exchange rate against the US Dollar fell from US$ 0.8184 (2nd December 1996) to US$ 0.5548 (on 27th August 1998) – a - 32.21% fall. Because of this Australian exports rose significantly and new export markets opened up as a result of the new competitiveness of the Australian currency. However, an Australian earning AU$50,000 a year saw his salary, when expressed in US Dollars fall from a level of US$40,920 to US$27,740, but the average Australian would not have noticed the change unless they were travelling extensively abroad. But…… exports, as we said, were much more competitive.

Europe denied itself this automatic adjustment mechanism when it adopted the Euro. So Europe today is attempting to force major reductions in the salaries and benefits of workers in the Southern European nations as without a floating exchange rate, this is, under the existing system, the only adjustment mechanism left.

This is why there are so many protests on the streets of Athens, Salonika and elsewhere in Greece - real reductions in income really hurt.

The problem with this road to competitiveness is that it shrinks economies.

The reduction in Civil Servants incomes and in social welfare benefits reduces spending and causes economies to contract.

This reduces tax revenue, and makes it much more difficult for governments to service their debts.

Europe is in a real mess now and the only way to make Greece, Spain and Portugal competitive is to force major adjustments upon them. Oddly enough, as we have commented on previously, Ireland bit the bullet on this as soon as it could and is starting to reap the benefits in some areas already of this much needed austerity program – Nominal GDP growth of +3.05% in the last quarter of 2011 is a signal that something, maybe, is going right .

In the long term such adjustments, painful as they are, should work. But the only way to long term economic contentment is through short term real pain - in the short-term such adjustments will shrink the economies of these three countries.

So Europe, or rather the Euro Zone, is seeking to deliver ever larger amounts of capital to bail out these Southern countries (and here we must also note that Italy is by no means assured of immunity from this contagion). Such capital transfers can only enable these areas to weather the extreme economic pain of restructuring for so long.

One small side-effect of this is that Germany's export performance is being positively buoyed by the Euro being, for it, a severely undervalued currency, so Germany can afford at the moment to advance these funds without worrying too much – at least officially. The real acid test has to be whether there is the longer term political will to continue to do with this for an extended period of time.

With sky-high unemployment and the ongoing massive social unrest, the leaders of these Southern countries are attempting to walk a precariously tight rope. Unless the electorate wholeheartedly embraces the need for such necessary and painful adjustments, more populist, less responsible governments are likely to be elected and the Euro-experiment will be extinguished, at least in Southern Europe. In Greece elections due for late 2013 have been brought forward to May 2012. This could be disastrous – the ruling Pasok Party have seen the opinion poll ratings fall from 45% to 15%, the New Democracy Party have fared little better falling from 28% to 21%. Whoever finally comes to power will probably wish they hadn't.

In 1815, Waterloo reshaped Europe. Waterloo was described by Wellington at the time as a 'Near Run Thing'. It certainly was that - Wellington would have lost had not the Prussian troops under Blücher arrived at day's end.

The question now on everyone's lips is whether the economies of Southern Europe can be reformed and remodeled in time and is it going to be another 'near run thing'.

Modern Prussians (today's Germans) are going to have to expend tremendous amounts of money, over an unrelentingly sustained period, if the nations of the South are to be kept afloat for long enough to be able to successfully restructure.

These governments need to be prepared to act with resolution and rigour that democratic governments rarely, if ever, actually display.

It is a battle the Euro is far more likely to lose than win.

This time round the Prussians are likely to arrive in insufficient numbers to prevent defeat.

*(*Neil Hitchens is a Senior Relationship Manager, Head of Investment Management, Zenith Bank (UK)).*

Mainz Farmer's Market, Germany

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Nigeria & Climate Change:
SOME DANGERS, OPPORTUNITIES

* By Jude Dike

When man entered the stage of industrial revolution over 150 years ago, it never crossed his mind that some day, the result of industrial activities will make him miserable on planet Earth which he works assiduously to make better. The truth however is that industrial activities have contributed to the alteration of the climate on Earth in so many ways.

The climate change challenge is now more an issue than ever before in the history of human race. There is palpable fear all over the world concerning the continuous alteration and deterioration of weather patterns, in a dimension hitherto unnoticed by humans.

On daily basis, we hear gory stories of how flood is rampaging cities and towns in virtually all the continents. The recent flood in Pakistan was devastating and left in its trail sorrow, tears and blood. The economic losses were inestimable. We have also witnessed flooding in many parts of Nigeria such as Sokoto, Lagos and parts of Niger Delta.

Sunday Vanguard of December 19, 2010 (page 6) reported that hundred of residents of Beneku Community in Ndokwa Local Government Area of Delta State, Nigeria have been sacked from their homes by flood. Few years ago, no one would have thought that there would be rain in December, not to talk of flood devastating communities and cities in many parts of the globe. Similarly, earthquakes and typhoons are becoming everyday occurrences.

Brazil, South Africa and Australia recently experienced the worst kind of flooding in recent years. The economic cost of the flooding in these nations is in the neighborhood of 100 billion dollars while thousands of hapless and helpless individuals lost their lives. More than 800 people died in Brazil alone when the city of Rio de Janeiro was devastated by flood.

These tragic events all over the world show that some things are going wrong with the original blue print of the earth that was created millions of years ago. No thanks to man's activities. In other words, the law governing the earth and the cosmos has been altered. This alteration has made the earth to experience the extremes of weather conditions. Some prophets of

doom with their gift of clairvoyance may beat their chests and declare that the world is coming to an end in the next few years.

WHAT IS GLOBAL WARMING; CLIMATE CHANGE?

The Collin English Dictionary defines Global Warming as “an increase in the average temperature world wide believed to be caused by the green house effect or Green House Gases (GHG). The Science Dictionary defines Global Warming as “an increase in the average temperature of the earth’s atmosphere, especially a sustained increase great enough to cause changes in the global climate”.

The Earth has experienced numerous episodes of global warming. The present global warming is generally attributed to an increase in Green House Gases (GHG), largely due to the effect of human, industrial and agricultural activities. According to the Science Dictionary, the expected long term effects of the current Global Warming are: Rising Sea level, flooding, melting of polar ice caps and Glaciers, fluctuations in temperature and precipitation, more frequent and stronger EL-Ninos and Ninas, drought, heat and forest fires. Stephen Schneider, a Climatologist from the prestigious Stanford University, U.S. opines that the issue of Global Warming is a prescription for a catastrophic outcome with regard to specie extinction, coastal damages, fire, heat waves, drought and flood.

In January, 2010, Thilo Kunzemann reviewed some United Nations Reports on Climate change or Global Warming. According to him, the United Nations Reports delivered a huge blow to Global Warming skeptics. It is on record that leading climate scientists are now 90 percent sure that human activity is heating up the planet. (Note here that Global Warming and Climate change are used interchangeably).

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CAUSES OF CLIMATE CHANGE

Several research findings indicate that major causes of climate change or global warming include: variations in solar radiations, deviation in the Earth orbit, continental drift and the changes in Green House Gas (GHG) concentration. Of these causes, the most dangerously potent is the change in green house effect which is generated by human callous and deleterious activities. Some have economic benefits while others do not.

According to a UN Reports earlier referred to by Thilo Kunzemann, close to 700 scientists, 2500 reviewers and government officials have come to a consensus about the culpability of humans regarding the issue of Global Warning. Indeed, if the Earth were to be human, she would by now be crying of rape because its destruction has taken on a ferocious scale. Humans have raped the earth, and to their own detriment. The destruction of the Earth has continued all over the world unabated. Some governments are not helping matters. Some still allow the burying of toxic wastes, which mix with underground waters at the end of the day.

It should be noted that the Green House Gases (GHG) in our atmosphere have increased since 1750 due to the consumption of fossil fuel and new forms of land use including for agricultural purposes.

The massive increase in Green House Gases (GHG) has led to a rise in average temperature by 0.74 degree Celsius since 1901. Unarguably, scientists are 90% sure that the last half of the 20^{th} century has been the hottest period in the Northern Hemisphere in the last 5,000 years. Since the arrival of planet earth, it has never been so hot. Reports indicate that scientists have refined their simulations and now have a fairly good idea of the effect of carbon-dioxide (Co$_2$) emission.

A doubling of carbon-dioxide levels in the atmosphere relates to a surface warming of some 3 degree Celsius plus one degree and the effects will

source: http://www.greenpeace.org/international/ReSizes/OriginalWatermarked/PageFiles/24997/a-polar-bear-walks-along-the-i.jpg

be highly noticeable in the Northern latitude.

What of the sun's radiation which may also cause global warming, some skeptics may ask? Recent discoveries have shown that the effect of human induced warming is 20 times more than the sun's radiation. Human activities have made humans endangered specie on Earth. Check out the following gory facts.

Glaciers all over the world are declining and it is perceivable at the fringes of the vast Antarctic ice shield. Climate scientists are of the strong view that sea levels have already risen 17cm during the 20th century because warm water has a larger volume than cold water.

Above all, the melting of the Ice Cap and glaciers has increased the sea level since 1993. Recent startling findings show that the atmosphere now holds more water vapour. No wonder many cities are experiencing tropical storms and floods and the western winds have increased in the last 50 years. Brazil and Australia have recently experienced such as earlier mentioned.

The Atlantic Ocean has witnessed terrible cyclones in recent years, in line with rising surface water temperature. It is also recorded that sixty percent of severe storms are attributed to global warming.

The Artic since the world began has warehoused ice that helps to cool the earth and maintain the temperature within levels suitable for human habitation. However, the worrisome statistics coming from the region is showing that Artic temperatures have increased twice as fast as global average temperature. Summer Ice in the Artic Oceanic is decreasing by 7.4% per decade. With the above calculation, by the end of this century, say year 2100, the Artic could be ice free in summer. This will be highly calamitous for living things on Earth. Polar bears will die off, other animals there will be decimated. The planet will be very hot.

Another disturbing detail noticed is that since 1900, the seasonally frozen ground in the North Hemisphere has shrunken by some 7%. This has freed large amount of methane, another potent Green House Gas (GHG) to the atmosphere, thereby heating up the Earth.

Another traumatizing fact is the precipitation pattern which has changed over the last century. Presently, there is significantly more rain in the Eastern, part of North and South America, Northern Europe and Northern and Central Asia.

In Nigeria, it is almost raining up to December and early January. This has changed our climate and has affected agriculture and construction work such as roads, bridges etc.

The period of dry season has reduced drastically while drought has exacerbated in some African countries. By 2050, scientists predict we may lose 95% of existing coral reefs because the seas will become too warm and acidic.

GLOBAL WARMING EFFECT

Climate scientists believe that Green House Gases (GHG) produced by human activity on earth can stay in the atmosphere for thousand of years to come.

Climatologists have come to the conclusion that some of the devastating effect of climate change or Global Warming include:

WARMER WATERS AND MORE HURRICANES: As the temperature of the various oceans rises, the frequency of stronger hurricanes will be higher such as we experienced in 2004 and 2005. Another problem has to do with increased probability of droughts and heat waves. Some parts of the Earth will be wetter than usual while some other areas will suffer draught and heat weaves.

Africa will have her climate problems exacerbated by the Global Warming while Europe may suffer her bouts of drought, spread of disease since with global warming, most Northern countries will be warm. Disease carrying insects may migrate north bringing plague and disease with them.

Polar Ice Cap Melting: Some of the challenges to be experienced and emanating

from polar ice cap melting include rising sea level, as it is estimated that there are about 5,773,000 cubit miles of water in ice caps, glaciers and permanent snow.

According to the National Snow and Ice Data Centre, if all glaciers melt today, the seas would rise about 230 feet and coastal cities like Lagos, Los Angelis Cairo, Tripoli may suffer flooding and overflowing of the oceans to a level of frightening magnitude.

Moreso, the Ice Caps are white and reflect sunlight, much of which is reflected back into space, thereby cooling the earth. If the Ice caps are gone, the earth will absorb more heat thereby increasing Global Warming.

EFFECT OF CLIMATE CHANGE IN NIGERIA, AFRICA

Africa contributes least of all continents to the climate change but will probably suffer most from its consequences. Africa produces one ton of C_{O2} per person per year according to statistics. South Africa, the most industrialized country on the continent generates about 8,44t. Meanwhile Mali which is the least industrialized produces less than one-tenth of a ton per person per year. The whole of Africa produces about 920,000t each year, less than 4% of the global production.

By comparison, some industrialized nations generate over 16 ton per person per year, altogether about 5.7 billion tons and 23% of the Global production. Some of the deleterious implications of climate change can be better imagined. Africa depends significantly on agriculture and any minor change in the climate will affect agricultural output further causing food insecurity.

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SOME SOCIO-ECONOMIC CONSEQUENCIES

The fish stock at the coast is drying up. Some West African countries have lost over 50% of their coastal waters since 1910. The Lake Chad which is the water supplier to more than 10 million people of the region is drying up. President Goodluck Jonathan recently called for the improved management of Lake Chad by all the nations benefiting from the Lake, which has already shrunk to one-tenth of its original size.

In addition, the deserts grow every year. In the last 15 years, the population of Nigeria grew from 89 million to about 140 million people. This growing population coupled with growing desertification and sahelization threatens the feeding of the people. The Natural Resources are decreasing all over Nigeria with erosion and ecological disasters ravaging the South Eastern part of Nigeria. At the same time the sea levels in the coastal south are increasing.

The rampant use of generating sets in Nigeria is not helping matters and so much Green House Gases (GHG) are released into the atmosphere on daily basis. Our Earth is being subjected to untold hardship and all manners of abuse.

In summary, the following are the general effects of Global Warming in Nigeria:

• Global Warming may exacerbate desertification in the Northern part of the country.

• Refuse dump generates menthane gas which causes climate change.

• It may bring about drought is some locations in the Northern part of Nigeria.

• Coastal cities such as Lagos, Port-Harcourt and Warri are at the risk of being submerged by the Atlantic Ocean which receives tons of water from the melting Glaciers all over the world.

• The raining season will extend over 8 months thereby leaving only about 4 months for construction work and this will adversely affect the provision of infrastructure such as road, bridges and housing projects.

• Too much rain may affect agricultural output thereby causing hunger and starvation.

• Nigerian economy depends on fossil fuel.

This is particularly worrisome because fossil fuels are the major cause of global warming. Any reduction in the sale of fossil fuel in the form of export will spell doom for Nigeria's economic growth and development.

• Reduction in the sale of crude oil due to the fight against Global Warming may cause economic crises in Nigeria which may increase unemployment and deficit Balance of Payment.

• Climate change may change the pattern of crops maturity; while some crops may altogether stop fruiting, some may produce toxic fruits due to the weather change.

• Effect of toxic or acid rain is grave. Much of the gases released into the air may form acid rain which may be poisonous to the rural populace who do not have other sources of drinking water

• Carbon dioxide makes the ocean more acidic when it dissolves in water. This has consequences for plankton, krill, crabs, coral and all sea creatures with external shells or skeleton. Many of these sea creatures are vital parts of the food chain. If the food chain collapses the whole ecosystem will suffer.

• Above all, with acidic sea water, the sea food is poisoned for human consumption.

• Much of the water in our lakes and rivers will dry up. Visit some of our rivers, you will be shocked that more than 50% of their water has disappeared while refuse has covered majority of our rivers thereby causing destruction to aquatic lives.

• The fight against climate change will lead to a reduction in the consumption of fossils fuel and compel Nigeria to explore the use of natural gas. Nigeria is believed to have an estimated 124 trillion cubit feet of proven Natural gas reserve, making it the 9th largest in the world.

• It will enable Nigeria discover other renewable sources of energy.

• It will enable Nigerian produce energy saving products that can be exported to other countries of the world.

• Finally, the fight against Global Warming will help to save lives.

http://www.sweetcrudemovie.com/img/scPressKit/scStill7.jpg

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ECONOMIC OPPORTUNITIES OF CLIMATE CHANGE

Some of the economic opportunities that will be thrown up by the fight against climate change include:-

• Due to lack of gas utilization Nigeria flares 75% of the gases produced and re-injects 12% to enhance oil recovery. The utilization of this flared gas will earn Nigeria trillion of dollars in revenue. The export of Nigerian gas will enhance country's foreign earnings.

• The fight against climate change will prompt Nigeria to have versatile oil and gas industry and not one that is over dependent on fossil fuel.

• The war against Global Warming will assist Nigeria to discover on time more crops which are weather resistant before it is too late.

• The acknowledgement of and fight against climate change will enable Nigeria bring out a climate change blue print.

• The Construction industry will be empowered to effectively utilize the few

months of dry season in the execution of projects.

• The fight against climate change will assist Nigeria to stop the unhealthy practices that cause pollution in our environment such as bush burning and indiscriminate disposal of refuse

• The early fight against climate change will help to save the country's aquatic lives.

OUR ONCE BEAUTIFUL EARTH BEFORE CLIMATE CHANGE

Our Planet Earth was born beautiful. The book: "life how did it get here; by evolution or creation?" published by the Watch Tower Organization took time to graphically describe our sweet earth. Our Earth was delicately designed to ware-house billions of living things with a perfect ecosystem to match.

According to the book, Astronauts have reported that viewed from space, the Earth's blue skies and white clouds make it by far the most inviting object they could see. The Earth is the greatest of all cosmological scientific puzzles, confounding all our efforts to comprehend it. According to Lewis Thomas, who was quoted in the book, "we are only now beginning to appreciate how strange and splendid the earth is, how it catches the breath, the lowliest object afloat around the sun, endorsed in its now blue bubble of atmosphere, manufacturing and breathing its own oxygen, fixing its own nitrogen from the air into its own soil, generating it if own weather".

Of all the planets, in our solar system, only our beautiful earth has life. Infact our dear Earth habours varieties of living things which include microscopic organisms, insects, plants, fish birds, animals and her greatest source of degradation, the humans. Earth teems with life; is sustained by very complex system which provides light, air, heat, water and food, all in good balance of the ecosystem.

The interpretation is that the earth was specifically designed to sustain life in abundance. The Earth was designed by a super Designer and Creator.

The Mercury's day time temperature is about 600 degree Fahrenheit. On the flipside, if the Earth speed is increased, it would move farther away from the sun and become too cold, such as Pluto, to sustain life. Pluto's temperature is about 300 degree below Fahrenheit.

Above all, the Earth rotates on its axis every 24 hours while traveling round the sun, and if the earth does no rotate, or rotates once in a year, the side facing the sun becomes dry like the desert, while the other side would be too cold. Again, if the Earth is not tilted 231/2 degree in relations to the sun, there would be no seasons. Climate would be the same throughout the year. If the earth were tilted more, there would be extreme weather conditions, e.g. too much cold winter or hot summer.

WHAT ABOUT THE ATMOSPHERE BEFORE CLIMATE CHANGE?

When the Earth was born, a law was set in motion to govern its atmosphere. It was programmed to work automatically without human interference. When the superb engineering work called Earth was concluded, a deliberate covering called the atmosphere was conceived and designed to cover the earth completely. No other planet has an atmosphere. Please note this facts; even our moon does not have its own atmosphere.

Once you travel out of our dear home called Earth, you need a space suit to give you the same feeling. You do not need any suit to survive on Earth. Our Earth is a master piece designed to contain the right mix of gases that should sustain life. Some gases are dangerous but if mixed properly, they sustain life.

Oxygen sustains life. 21% of the air we breathe is oxygen. Too much oxygen would destroy lives in seconds. But pure oxygen is also toxic to existence. Consider the fact that if the only gas in the Earth's atmosphere were to be oxygen, everything will go up in flames or become combustible. The Designer diluted oxygen with other gases especially, nitrogen which makes 78% of the atmosphere.

The book by the Watch Tower Organization went on further to state that even the nitrogen is much more than a dilutant, as during thunder storm, million of lightening bolts cause nitrogen to combine with oxygen to form a compound which serves as fertilizer when rain falls to the ground. The plants utilize this compound to grow and produce food for living things.

Now watch out for this. Carbon dioxide makes up less than one percent of the atmosphere. Without carbon dioxide plants will die. That one percent is what plant needs to survive and in return give out oxygen to replenish the earth's delicate mixture of gases.

Humans and animals breathe oxygen and exhale carbon dioxide which the plant needs; and the circle goes on in a complex structure that sustains the flora and fauna. If the quantity of carbon dioxide is more than one percent, it becomes harmful to both man and animal and this is where climate change is dangerous. If it decreases less than one percent, plants cannot survive, and there would no be food for living things.

About 15 miles above the ground, a thin layer of Ozone gas filters out harmful radiation from the sun. Without this Ozone layer the radiation from the sun can destroy lives on Earth. Also the atmosphere protects the Earth from meteors falling from space.

There are billions of particles floating in the space; but the atmosphere was designed to jealously protect the inhabitants of the earth. The atmosphere keeps the earth warm and protects the warmth from being lost to the coldness in space, while the Earth's gravitational pull prevents the atmosphere from escaping to the endless outer space. The Earth is also blessed with a colourful sky, very majestic in the morning and evening.

The Earth as at the time it was born contained many substances which were deliberately designed to make sure that life is sustained by all means. For instance, it is only our own dear Earth that has water. Our Earth contains enough water to sustain every living thing, including aquatic lives. The seas contain billion of living things which exist. The excess water is stored as Ice such as in the Ice Cap or shield which as we pointed out earlier assists in cooling the earth and keeping it habitable.

Source: http://allaboutportlandoregonrealestate.com/wp-content/uploads/2009/10/j0433132.jpg

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EFFORTS TOWARDS FIGHTING CLIMATE CHANGE

Nations all over the world are affected by climate change. But while some are highly perturbed by this anomaly, for other, it is business as usual.

Several global meetings have been called to discuss the global warming challenge. In 1997, the Kyoto Protocol was adopted aimed at combating the Global Warming effect. The Kyoto Protocol is an international agreement linked to the United Nations framework convention on Climate Change. The major feature of the Kyoto Protocol was that it set binding targets for 37 industrialized countries and the European Community for reducing Green House Gas (GHG) emissions – an average of 5% reduction from the 1990 levels over the 5 year period between 2008 and 2012.

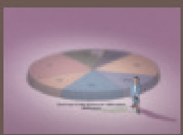
The Kyoto Protocol is quite different from the UN framework convention on Climate Change in the sense that while the convention encouraged industrialized nations to stabilize Green House Gases (GHG) emission, the protocol commits them to do so. Since the industrial revolution, several nations have been in the forefront of industrial activities for over 150 years – 2000 years, with far-reaching impact on the environment.

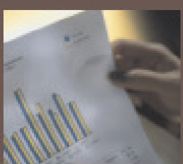
The Copenhagen climate change meeting did not produce the desired. Richard Branson, the founder of the Virgin Group, opined in the Sunday Punch of January 02, 2011 that the United Nations Climate change conference in Cancun early December was indecisive on the way forward,. According to Branson, there is too much at stake for us to give up and go home.

Richard Branson helped to launch the carbon War Room, a business focused Global NGO in 2009. The goal of the NGO is to encourage entrepreneurs and businesses to enter the battle against climate change and also to achieve it by unlocking capital to deliver scalable solutions that will make commercial sense.

The fight against climate change is a global one. Nations must wake up to save our Earth from becoming too hot for human habitation, today and in the future.

(* Jude Dike works with Zenith Bank Plc)





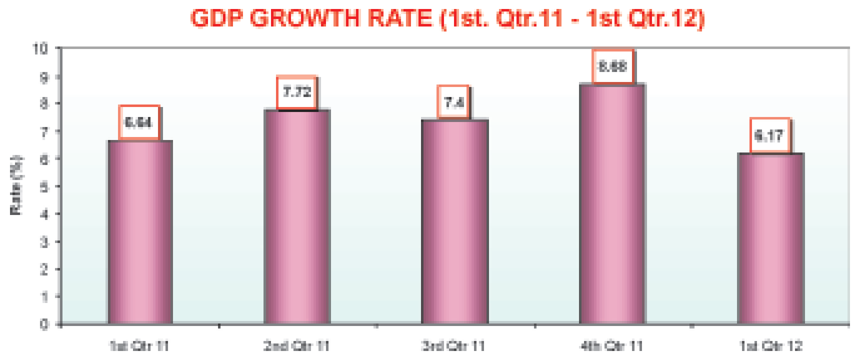
Ibrahim Abubakar

MACROECONOMIC ENVIRONMENT

The Nigerian economy in first quarter 2012 continued with its now traditional upward trend but with some mixed performance recorded in some of the growth parameters. Inflation figures for instance came in well above expectations. Gross Domestic Product (GDP) ended the quarter higher than expected. The Monetary Policy Rate remained steady all through. The nation's currency, the naira, bounced back from losses sustained against other world currencies to earn some small gains. The foreign reserves staged a strong rebound. In the capital market, the bears still roamed the terrain but with some patches of recovery recorded here and there. However, in the international crude oil market, prices surged, taking back some initial losses.

GROSS DOMESTIC PRODUCT

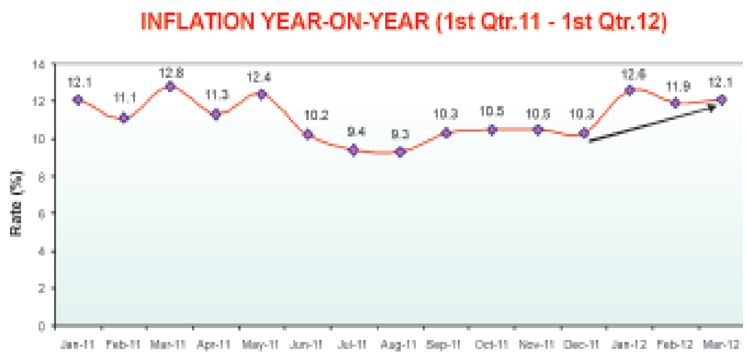
Gross Domestic Product (GDP) began the first quarter with a seasonal dip at 6.17 percent, slumping from 8.68 percent recorded in the preceding quarter. Real GDP growth was mainly driven by the non-oil sector. Despite being the period of land preparation in the Northern region and cropping season in the Southern states, agriculture continued its dominance as major contributor to GDP. For the oil sector, the benefits of the Amnesty deal with the Niger Delta militants continue to push oil production in the right direction, with production jumping by 26.6 percent between February and March. Real GDP growth for 2012 is projected at 7.2 percent, slightly lower than the 7.6 percent recorded in 2011.



Source: National Bureau of Statistic, Central Bank of Nigeria

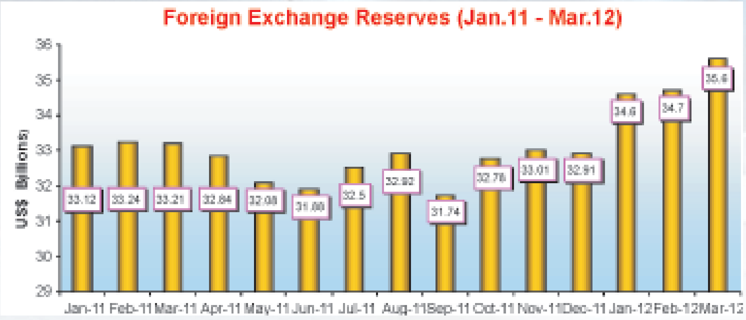
INFLATION

The Year-on-Year (Y-on-Y) unexpectedly accelerated in first quarter 2012, jumping to 12.1 percent in March. The headline inflation rise far outpaced market expectations as a result of the partial removal of subsidy on Premium Motor Spirit (petrol) which pushed up pump price of fuel. Inflationary pressures ballooned earlier in January to 12.6 percent, triggered by a spike in the price of food and non-food items due to increase in transportation costs. Inflation however eased in February due to relatively weaker demand following the seasonal high spending in December which usually pushes prices higher during that period. The slowdown was short-lived as inflationary pressures resurfaced in March due to the planting season which increased the price of food products in the market. In the months ahead, inflationary risks remain as impact of rising fuel prices is going to be felt throughout the rest of the year.



Source: **National Bureau of Statistic**

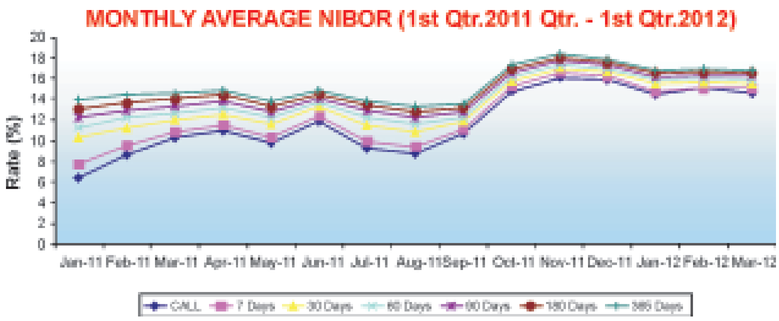
EXTERNAL RESERVES



Source: Central Bank of Nigeria

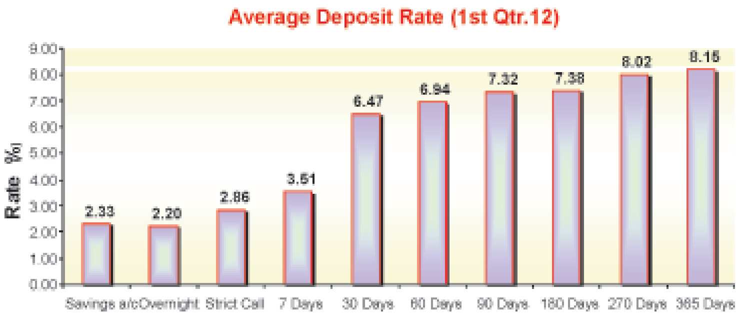
The nation's external reserves rebounded in the first quarter of 2012, owing in part to a sharp pickup in crude oil receipts and output. External reserves recorded impressive gains during the quarter, expanding by about $2.7billion to $35.6billion. The reserves, which grew significantly in January, slowed down slightly in February, due to fluctuations in oil prices. This was however short-lived as external reserve climbed back up to its highest position in at least seven months. Among other factors, the buildup indicated that the CBN poured in less money to tame currency volatilities. With improvements in the policy environment, foreign capital inflows beefed up the nation's coffers. External reserves stood at $35.6billion as at end March 2012, capable of financing up to 15 months of imports. In the near to medium term, the authorities project improvements in the stock of external reserves as a result of higher crude oil prices and output.

INTEREST RATE



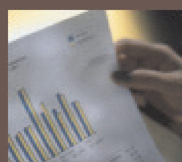
Source: Financial Markets Dealers Association of Nigeria (FMDA)

In line with expectations, the Central Bank of Nigeria (CBN) offered no surprises, leaving its key interest rate unchanged at 12 percent during the first quarter. It was the third consecutive hold since the Monetary Policy Rate (MPR) was raised by 275 basis points in October 2011 following a surprise fall in headline inflation in February.

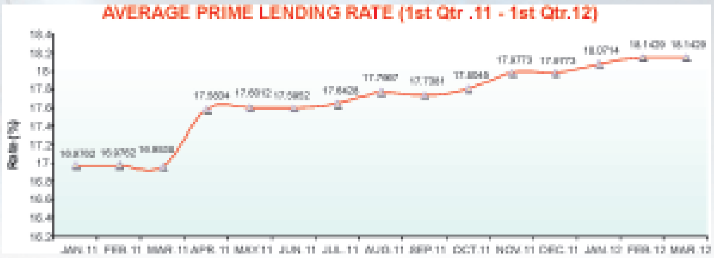


Source: Financial Markets Dealers Association of Nigeria (FMDA)

The average interbank rate was relatively stable with minor swings during the quarter. Volatility was higher on shorter term tenors due to tighter liquidity. For instance, rates on the call and 7 Days tenors hit as high as 16.29 percent and 16 percent, respectively, in January, following mop up operations by the CBN and remittances by the NNPC. However, rates eased slightly in February as a result of liquidity trickling from the $1billion withdrawn from the Excess Crude Account and the N614billion Statutory Revenue Allocations shared among the three tiers of govern-



Facts & Figures

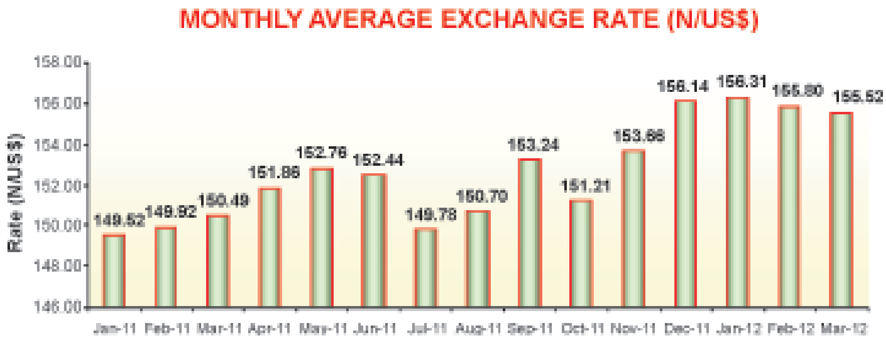


Source: Financial Markets Dealers Association of Nigeria (FMDA)

ments. Despite minor pressure on rates coming from the Nigerian Deposit Insurance Corporation (NDIC) premium debit in March, the N102billion shortfall paid to state governments cushioned the impact.

In terms of cost of borrowing, the average Prime Lending Rate (PLR) inched up slightly during the period, hovering around 18 percent. Returns on the average deposit rate went up slightly across most investment horizons, with volatility higher on the 180 Days, 270 and 365 Days tenors.

EXCHANGE RATE

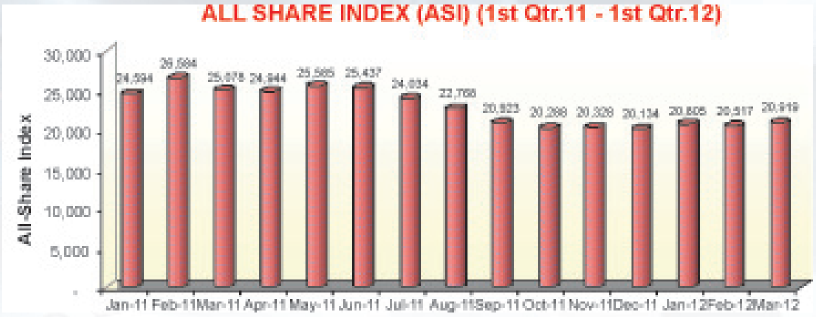


Source: Central Bank of Nigeria

The nation's currency, the naira, started the year on a much better footing in the first quarter of 2012, strengthening against other major currencies. It finished the quarter on a positive note around the CBN's target at about N155/US$. The naira resurgence was accompanied by less volatile movements during the quarter owing to higher dollar liquidity. The naira hit eight-month high of N156 to the US dollar in February. There were minor headwinds from the downstream sector however, as the government approved forty two oil marketers to import fuel for the quarter. In its twice weekly auctions, the CBN offered about $5.3billion and sold $5.09billion during the period. Occasional gaps were nevertheless filled with large dollar sales by some oil companies and foreign investors pouring funds into Nigerian Treasury Bills. The inflows rubbed off considerably on the nation's currency as the premium between the official and interbank rate narrowed to 1.1 percent as at end March 2012, compared to 3.6 percent in December. In the months ahead, the naira is projected to firm up in the short to medium term due to higher crude oil price in the international market and stable production levels.

CAPITAL MARKET

The capital market got off to a cautious start during first quarter 2012. It was a neutral ending to the quarter as the All-Share Index (ASI) and market capitalization finished pretty much flat at 20,652.47 and N6.54trillion, respectively, from 20,730.63 and N6.53trillion in the preceding quarter. After a bright start in January, momentum struggled as strong selling pressures held back the market in February due to mixed market sentiments. However, investors that turned their backs on the market piled back in March as the Technical Committee on Demutualization submitted its report to the NSE. Investors turned their attention on year end results as the NSE set a submission deadline of March 31 for 119 listed companies. Despite cautious optimism, investors were buoyed by hopes of increased dividend payments. On the positive side, the injection of $500million fresh capital into one of the rescued banks by a core investor helped lift the mood in the market. Also, a number of quoted companies such as Zenith Bank, Guaranty Trust Bank and Nigerian Breweries paid impressive dividends of 95kobo, 85kobo and N3.00, respectively. Market fundamentals remained strong as the NSE admitted Benue and Ekiti States development bonds of N13billion and N20billion, respectively. In the international capital market, Nigeria's Eurobond yields continued to be positively impacted by renewed concerns about a contagion in the Euro-zone.



Source: Nigerian Stock Exchange

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Facts & Figures

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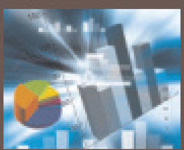
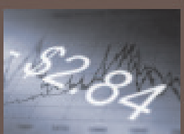
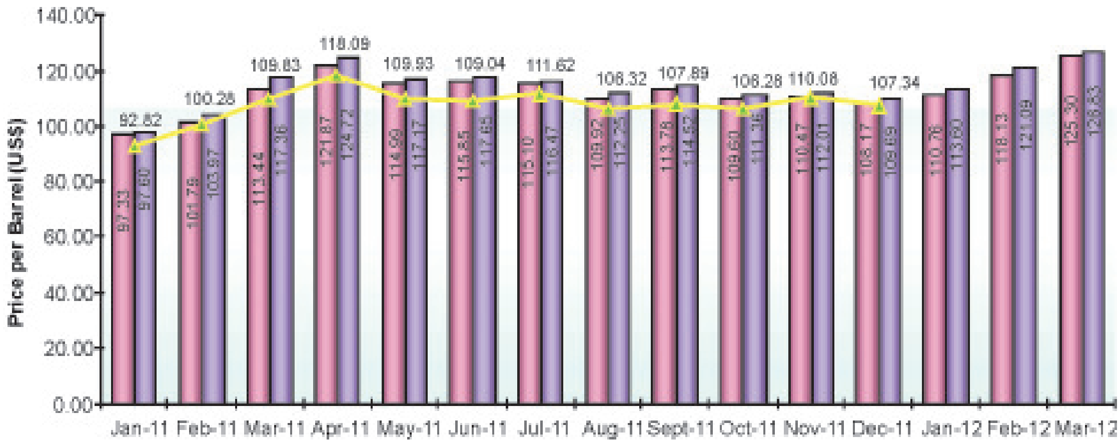




OIL & GAS

After a roaring start to the year, crude oil prices gained considerable grounds in the first quarter of 2012. Prices were consistently higher than in the same quarter of 2011. Oil prices gained nearly 17 percent since the start of the year to $125 per barrel, pushed by improved expectations on global oil demand. Nigeria's brand of crude oil, Bonny Light, squeezed out about $9 in the first quarter, trading in a band of $98-$109 per barrel. Industry analyst attribute the rebound in crude oil prices to several reasons such as decline in Iranian exports ahead of the full implementation of US/EU sanctions; poor non-OPEC supply performance and supply disruptions in Libya, Yemen, Sudan, Syria and the North Sea. In its 13th IEF Ministerial Meeting in March, OPEC indicated that its Secretariat has developed a scenario based approach for the long term to mitigate future volatilities.

Oil Prices: Monthly Average Price Movements (1st Qtr.11 - 1st Qtr.12)



Source: OPEC, Bloomberg, Energy Information Administration