ZENITH

Zenith Economic Quarterly

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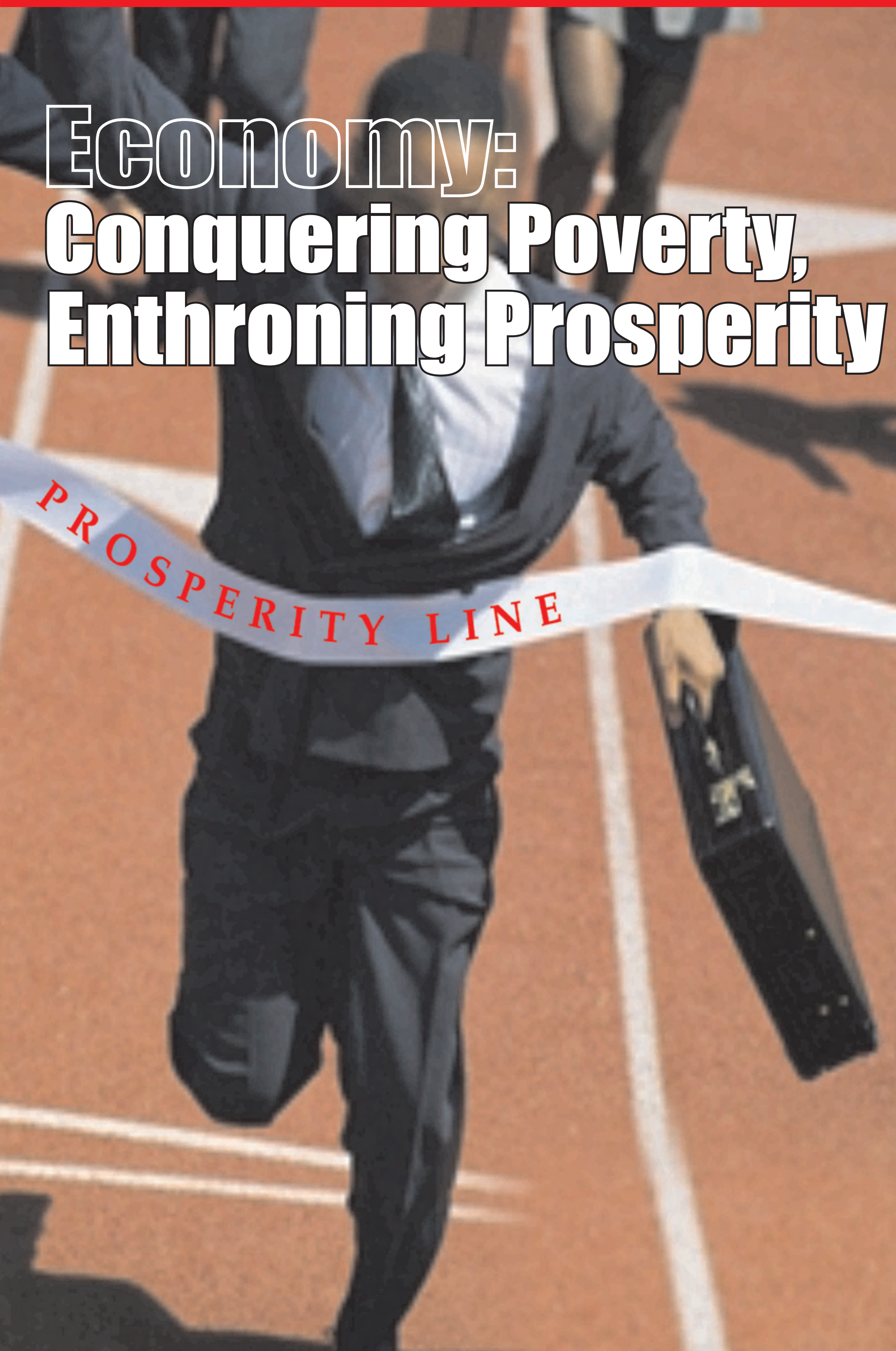
Economy: Conquering Poverty, Enthroning Prosperity



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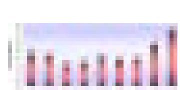
C O N T E N T S



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Mankind: Transiting from Poverty to Prosperity

The challenges posed to humanity by the phenomenon known as poverty have remained from the early man or stone-age to the present day. Thus, in all ages and at all times, a good chunk of the populace merely eke out a living—operating only at the basement of Abraham Maslow's Hierarchy of Needs—tackling physiological challenges of life. And although this Maslow's motivational theory was propounded in early 1940s, its bases are as true today as they were close to seven decades ago. The struggle to meet the basic needs of man—food, shelter, clothing, etc—is ever present in all locations and climes of the globe in varying degrees.

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In point of fact, these issues, more than ever before, are today on the centre-stage of global discourse; they form the recurring rubrics or themes at national, regional and international summits. Nations are ranked on the ladder of development, depending on how well or otherwise they have dealt with hunger, health, water, sanitation, among others. In other words, no country can rightly claim to be developed when the poverty level among its populace is not kept and sustained at the lowest ebb. Thus, in Nigeria, over the years, successive administrations—military or civilian—have evolved policies and programmes specifically directed at tackling poverty in the land. Billions of Naira has been allocated or spent on fighting the dreaded phenomenon.

Poverty alleviation or eradication has since become the catch-phrase or slogan on the development strategy or plan of every developing nation including Nigeria. In fact, the threat (real or imagined) posed by poverty to world growth and prosperity is at the root of the global development road-map called Millennium Development Goals (MDGs). The United Nations, its agencies and member-states have since year 2000 been immersed in Titanic battle against poverty and its kindred socio-economic challenges under the MDG initiative. Halfway to the 2015 deadline for the goals, many nations of the world, especially the developing countries, are still grappling with the preliminary steps.

In this edition of your wave-making quarterly, we publish the outcome of copious time and research devoted to this enigmatic, hydra-headed phenomenon called poverty. Under the topic: "Poverty: The Challenges, The Imperatives", the nature and scope of poverty, its local and global dimensions, efforts at tackling the phenomenon, some roles for the poor as well as the way forward are explored. One certainty from the treatise is that there is yet no common ground as to the nature, depth and incidence of poverty; thus, an entirely new paradigm is recommended. A mid-term assessment of the efforts of African nations at attaining the millennium development goals is packaged under the topic: "MDGs: Is Africa Meeting these colossal goals?" And the startling revelation is that about seven years to the MDG deadline of 2015, most African countries are still toddlers in the race. A good number of them, it is evident, do not possess the enormous financial and other resources required for achieving the goals. Yet, for a few however, there is the determination to make or miss the goals very narrowly.

The Franco-Nigeria trade relation is examined in the 'Foreign Insight' section. The mutual benefits of the long-standing cordial relationship between both countries are explored just as the latent opportunities are spotted and underscored. The place of international arbitration in the expansion of business opportunities is also examined. It is observed that increase in globalization means that there is an increasing need for international dispute resolution.

This edition is not without our other regular sections; in fact, each is a treatment of a critical, topical issue with the usual depth and rigour. Overall, this is another masterly package for our teeming perceptive readers. Have a wonderful reading!

Marcel Okeke

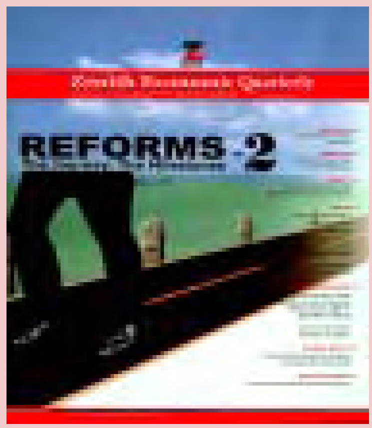
from our mailbox

I write on behalf of the Vice-Chancellor of Covenant University to acknowledge receipt of a copy of the June 2007 Edition of your publication – Zenith Economic Quarterly (ZEQ) forwarded to Covenant University. This gesture is deeply appreciated and I commend you and all other members of the Editorial Board for the effort put into achieving this. We wish you greater strides in your quest for providing relevant and qualitative information on issues that bother on the economy of the nation, Nigeria.
Oni Samuel
Covenant University
Idiroko Road
Ota Ogun State
Nigeria

We once again wish to acknowledge with thanks the receipt of your highly informative and useful magazine. The publication has become a reference point on issues relating to economic and financial developments in Nigeria.
Please, do accept the assurances and best wishes of the High Commissioner.
Garba A. Zakari
For: High Commissioner
Nigeria High Commission
London
United Kingdom

This is to acknowledge with thanks the receipt of the June 2007 edition of your Zenith Economic Quarterly with the covering letter dated 21st August, 2007. We find the edition's focus for the quarter very useful for both staff and students. Once again please, accept our appreciation, while looking forward to the next edition.
Dr. S. A. Olaiya
Head, Department of Economics
College of Social and Management Sciences
Joseph Ayo Babalola University
Ikeji-Arakeji
Osun State

I am directed to acknowledge with thanks the receipt of the June 2007 edition of your magazine – the Zenith Economic Quarterly (ZEQ) forwarded under cover of your letter dated 21st August 2007 and to state that the mission found the magazine very interesting, educative and a very good reference material.We sincerely look forward to receiving many more of such publications in the near future.
N. O. Nze
For: Ag. High Commissioner
High Commission of the Federal Republic of Nigeria
Haile Selassie Avenue
Lusaka
Zambia



I am directed to acknowledge with thanks your letter dated 21 August 2007 together with the attached publication, Zenith Economic Quarterly (ZEQ). The publication is interesting and educative.
M. L. Mohammed.
For: Ambassador
Embassy of the Federal Republic of Nigeria
Berlin
Germany.

We acknowledge with thanks the receipt of one copy of the Zenith Economic Quarterly journal which was recently forwarded to the Managing Director of Financial Institution Training Centre, Dr. Oladimeji Alo. We commend your efforts for the high quality of the publication. We are convinced that this would make a good addition to our library collection.
Sunday Adenipekun
Ag. Head, Research Unit
For: Managing Director FITC
Apapa Lagos.

This is to acknowledge the receipt of your letter dated 21 August, 2007 forwarding a copy of Zenith Economic Quarterly, Vol. 2, No. 11 of July 2007 to the Commission. The Commission would like to express its appreciation for the copy of the publication which will no doubt be useful in better understanding national economic policies and the impact of the regulation of the capital market on the Nigerian economy.
Dr. Farouk Aminu
Research and Corporate Strategy Dept.
National Pension Commission

We acknowledge the receipt of your Zenith Economic Quarterly publication on the 7th September, 2007 on "The Stock Market Boom: Challenges and Opportunities." Earlier on, the department received, "Reforms: The journey, the milestone I & II. Your publications are embodiment of knowledge and contribute immensely in widening the horizon of our staff and students on activities of different facets of the Nigerian economy.

We urge you to continue with this scholarly and noble task because we find it interesting and educative.
Yerima, Wlison Musa
For; HOD Economics
Adamawa State University, Mubi.
Adamawa State

ECONOMY: YET CRUISING ON EVEN KEEL

*** By Marcel Okeke**

Surprisingly, the economy, during the quarter ended September 2007, beat most predictions and expectations to record cheery outcomes in virtually all performance indices. It had been widely speculated that the change of baton at all levels of government sequel to the general elections earlier in the year would dampen the momentum of most economic activities. This did not happen; and even the few changes in policies were such that caused little or no disruption to subsisting trends. Generally, developments in the international oil market, reform and supervisory activities of agencies and institutions such as the National Communications Commission, Bureau of Public Enterprises (BPE), the Central Bank of Nigeria (CBN) and the Securities and Exchange Commission (SEC), among others, largely impacted the economy during the quarter.

As in the previous quarters, intense competition for size among the banks continued. A number of banks were still in the frenzy of raising huge sums from the capital market through rights issues and public offerings, just as the acquisition of liquidated banks and merger propositions continued. The quarter particularly witnessed an unprecedented influx of public offers and private placements, as a plethora of companies, cutting across a wide spectrum of the economy approached the capital market for fresh funds. There was also the announcement of a key monetary policy—the Naira re-denomination—by the Central Bank of Nigeria (CBN). And, although this policy was suspended by the Federal Government, it recorded appreciable 'announcement effect' on the economy during the quarter.

All these on the macro-level, largely determined the outcomes of key economic indicators by the close of the quarter under review. Thus, the single-digit inflation that had been achieved during the first half of the year, was sustained, coupled with a relatively stable naira/dollar exchange rate. The inter-bank interest rate also remained within the corridor defined by the CBN's Monetary Policy Rate (MPR). Specifically, the year-on-year (headline) inflation dropped from its level of 6.20 per cent as at end-June 2007 to 4.10 per cent by end-September. This sharp decline is attributable to a combination of stable food prices as well as a restrictive monetary policy stance that prevailed during the period. The Federal Government had in the 2007 budget, projected an inflation rate of 9.0 per cent for the year.

The quarter also recorded some appreciation in the exchange rate of the Naira against major world currencies, especially the dollar. The local currency's exchange rate at the Wholesale Dutch Auction System (WDAS) appreciated from N126.05/US$1 in June to N124.75/US$1 in September. This trend was sustained by a number of factors, including the consistent foreign exchange inflow from oil sales and rising foreign direct investment and portfolio investment. CBN WDAS during the quarter revealed total offer of $1.75 billion and sale of $2.026 billion. These compared to a total offer of $2.04 billion and $2.83 billion sale for the second quarter; that is 16.56 per cent and 39.67 per cent decline in offer and sale respectively.

All through the quarter under review, Monetary Policy Rate (MPR) remained at 8%, just as the interest rate corridor also remained at +/-250 basis points. The average inter-bank call rate moved between 6.0 per cent and 9.0 per cent during the period. On 7-Days money, the rate moved by 42 basis points, from 8.13 per cent to 8.55 per cent; it moved by 110 basis points on 30-Days, from 11.42 per cent to 12.52 per cent. The rate on 90-Days moved by 49 basis points, from 12.51 per cent to 13 per cent and 19 basis points on 365-Days, from 12.47 per cent to 12.66 per cent.

The third quarter 2007 witnessed continued rise in the nation's external reserves. Thus, the gross official reserves which stood at $42.9 billion at end-July rose to $45 billion as at end-August, and rose further to $47 at the end of the quarter. This represents an increase of about 28.5 per cent when compared with the level of $36.63 billion in the corresponding period of 2006. The continued rise in reserves was attributed to the consistent increase in the prices of crude oil in the international market: the OPEC reference basket averaged $74.18 per barrel in September, a gain of $5.47 (or 8 per cent) over the previous month

Like the previous quarter, the third quarter 2007 witnessed an influx of public offers and private placements in the capital market, as a large number of companies cutting across a wide segment of the economy approached the market to raise funds. Banks continue to lead this trend as most of them keep coming back to the market repeatedly to rake in more funds with which to beef up their capital base. Some of the companies that came to the market for funds during the quarter include Access Bank, Fidelity Bank, First City Monument Bank, Dangote Flour Mills, Japaul Oil and Cement Company of Northern Nigeria. Others are International Breweries, NAHCO Plc, Union Diagnostics & Clinical Services, IBTC Guaranteed Fund, Oasis Insurance, etc.

In the secondary arm of the market, activities were a bit slowed down by the continued diversion of funds by investors to the primary market. This caused some illiquidity in the market, as a sizable portion of investors' funds were trapped in several good offers by end-December 2006 and early this year. Also, there was huge profit taking by some institutional and portfolio investors, partly in reaction to the instability in many international markets. This was coupled with market correction developments following an "overheated first half" of the year. All these culminated in the modest appreciation of the market indicators. Thus, the Nigerian Stock Exchange All Share Index (ASI) appreciated by 51.34 per cent and closed the quarter at 50,229.01 points, up from 35.16 per cent in the same period in 2006. Market capitalization appreciated by about 2.59 per cent, from 7.817 trillion at end-June to 8.020 trillion at end-September 2007. A breakdown of this performance further underscores the dominance of banks in the market, with 15 of them numbering among the 20 most capitalized companies. The first five are United Bank for Africa, Zenith Bank, First Bank, Union Bank and Intercontinental Bank—in that order.

BANKING AND FINANCE

In addition to the continued rush to the capital market to raise huge sums through hybrid offers, banks during the third quarter also explored/consolidated mergers and acquisitions deals. The frenzy for branch/market share expansion as well as creation of subsidiaries within and outside the country continued in the period under review. The long standing merger arrangement between IBTC Chartered Bank Plc (IBTC) and Stanbic Bank (Nigeria) Limited was consummated after Stanbic Africa Holdings Limited (SAHL)—the parent company of Stanbic Nigeria—successfully acquired 50.1 per cent equity interest in the enlarged IBTC. The deal represents about $400 billion portfolio investment in Nigeria by SAHL.

The merger arrangement between Ecobank Nigeria and Sterling Bank also came underway during the quarter, just as the United Bank for Africa concluded its moves to acquire the liquidated City Express Bank in addition to a few others it had acquired earlier in the year. The Ecobank Transnational Incorporated, the parent of Ecobank Nigeria also continued moves towards spreading its subsidiaries to more African countries by the end of the year. The bank is already setting up in Central and Eastern parts of the continent, in the following countries: Kenya, Mozambique, Namibia, Angola and Senegal in West Africa.

The Central Bank of Nigeria during the third quarter, pushed further its microfinance development initiative by licensing more microfinance institutions—with the licencees rising to about 50 as at end-September. The apex bank also commenced efforts to assist community banks convert to Microfinance institutions; each of the community banks is expected to beef up its minimum capital base to N20 million by December 31, 2007. Since the beginning of the reform in the sub-sector, the CBN has given over 200 licences to operators—some final approvals, some approvals-in-principle, and others, provisional approvals.

One of the major developments during the quarter was the launching of the "Strategic Agenda for the Naira" by the Central Bank of Nigeria—the thrust of which was the redenomination of the national currency. Under the proposal, the Naira would have returned to its pre-SAP (Structural Adjustment Programme) value (in 1986) when it exchanged for about N1.25 to one US Dollar. The Federal Government however 'suspended' the proposal, few days after it was announced by the CBN.

The proposed redenomination would have entailed dropping two zeroes or moving two decimal places to the left. Also, N20 would have become the highest currency denomination while the higher currency notes of N1000, N500, N200, N100 and N50 would have been phased out from August 1, 2008. According to the CBN, the proposal

20 MOST CAPITALISED STOCKS ON THE NSE, AS AT SEPTEMBER 29, 2007

SECURITIES	FIN. YR END	PRICES AS AT 28- SEPT	SHARES IN ISSUE	MARKET CAPITALISATION	RANK
UNITED BANK FOR AFRICA PLC	30-Sep	52.00	12,319,393,678	640,608,471,256.00	1
ZENITH BANK PLC	30-Jun	44.61	11,581,905,375	516,668,798,778.75	2
FIRST BANK OF NIG. PLC	31-Mar	39.91	12,086,377,930	482,367,343,186.30	3
GUARANTY TRUST BANK PLC	28-Feb	29.89	13,500,000,000	403,515,000,000.00	4
UNION BANK NIG. PLC	31-Mar	40.78	9,649,804,482	393,519,026,775.96	5
INTERCONTINENTAL BANK PLC	28-Feb	25.02	15,713,561,107	393,153,298,897.14	6
OCEANIC BANK INTERNATIONAL NIG. PLC	30-Sep	30.36	11,642,006,625	353,451,321,135.00	7
NIGERIAN BREW PLC.	31-Dec	43.89	7,562,407,848	331,914,080,448.72	8
DANGOTE SUGAR REFINERY PLC	31-Dec	32.45	10,000,000,000	324,500,000,000.00	9
PLATINUM HABIB BANK PLC	30-Jun	35.26	8,043,781,166	283,623,723,913.16	10
ECOBANK TRANSNATIONAL INCORPORATED	31-Dec	173.25	1,346,776,703	233,329,063,794.75	11
IBTC CHARTERED BANK PLC	31-Mar	11.23	18,750,000,000	210,562,500,000.00	12
FIDELITY BANK PLC	30-Jun	11.99	16,463,686,122	197,399,596,602.78	13
W.A. PORTLAND COMP. PLC.	31-Dec	63.20	3,001,600,004	189,701,120,252.80	14
AFRIBANK NIGERIA PLC	31-Mar	30.49	6,130,119,998	186,907,358,739.02	15
GUINNESS NIG PLC	30-Jun	124.50	1,474,925,519	183,628,227,115.50	16
ECOBANK NIGERIA PLC	31-Dec	8.16	21,654,226,926	176,698,491,716.16	17
DIAMOND BANK NIGERIA PLC	30-Apr	17.85	9,399,907,978	167,788,357,407.30	18
FIRST CITY MONUMENT BANK PLC.	30-Apr	17.45	9,502,430,142	165,817,405,977.90	19
NESTLE NIGERIA PLC	31-Dec	210.00	660,546,875	138,714,843,750.00	20

Source: The NSE, R & EIG, Zenith Bank

was aimed at strengthening the Naira and making it the reference currency on which other currencies will be benchmarked against in Africa. It will also, in nominal terms, shrink all naira denominated assets, prices and transactions but in real terms, their value stays the same.

The apex bank also during the quarter released "The Draft Framework for the Consolidated Supervision of Banks in Nigeria"—a document that provides guidelines for consolidated approach in the supervision of all Nigerian banks with foreign branches and/or subsidiaries as well as foreign banks operating in Nigeria. Specifically, the proposed framework is aimed at: (a) Ensuring that no banking activity goes on without supervision, irrespective of location, thus eliminating regulatory arbitrage; (b) Eliminating double leverage/gearing in the computation of capital adequacy of conglomerates; (c) Ensuring that all risks incurred by a banking group, no matter where they are booked will be evaluated and controlled on a global basis; (d) Enabling the CBN/NDIC to identify more quickly, emerging problems and work with banking organizations and

other supervisors as appropriate, to take prompt corrective measures on the issues.

According to the draft framework, accounting consolidation would exclude the results of subsidiaries providing non-financial services, insurance companies and companies in which the interest or holding of the supervised bank is less than 20 per cent. Also, the operating year end of the entities in a banking group is required to be harmonized and made to terminate the same time. Each bank group will be assessed on a solo basis based on the capital requirements of the respective regulators. The proposed framework also prescribes that "a director or a significant shareholder should not borrow more than 10 per cent of the bank's paid-up capital except with the prior approval of the CBN", as well as pegs maximum credit to all insiders at a maximum of 60 per cent of a bank's paid-up capital.

In the quarter under review, the CBN also took one more step towards the reduction of the use of cash in the nation's payments system. It set up working groups to review five core payment instruments, namely real time gross settlement, cheque, cash cards and mobile and securities payments. The working groups drawn from the CBN and other financial regulatory institutions are to monitor developments across the world and evolve modalities for patterning the domestic payments systems along the global trends. They are also to draw up new blueprint in line with global trends on the effective and efficient means of payments involving governments, person to person, salaries, bills, tax and securities settlement.

During the quarter, the Chartered Institute of Bankers of Nigeria Act (Number 5), 2007 which precludes non-members of the institute from heading technical departments of a bank was released. According to the Act, the technical departments include treasury, credit, internal control, risk management, domestic operations, foreign operations and inspection. Others are: retail banking, commercial banking, corporate banking, consumer banking, branch banking and compliance management. The Governing Council of the Institute has been restructured to include the CBN governor or his representative, the Managing Director of the Nigeria Deposit Insurance Corporation (NDIC) or his representative, and six managing directors of banks. The Act also requires representatives of the National Universities Commission, National Board for Technical Education and the ministries of finance and education to be on the CIBN council.

PUBLIC FINANCE: LOCAL DEBT

The serious concern expressed by President Musa Yar'Adua soon after his inauguration about the huge size of Nigeria's local debt has, during the quarter under review, translated to a number of initiatives by relevant agencies, especially the Debt Management Office (DMO). Nigeria's local debt has grown from about N795 billion in 1999 to about N2.0 trillion by June 2007. During the quarter under review, the DMO under a new leadership headed by Dr. Abraham Nwankwo has not only ascertained the actual quantum and composition of the local debt but has also embarked on reconfiguring its profile.

Thus, the debt has been disaggregated into its national and sub-national components; shorter-term maturity instruments (Treasury bills and Certificates) are being reconfigured into longer-tenured debts (FGN Bonds), leading to heightening activity in the bond market. A secondary market in bonds has been introduced, with (20 financial institutions) the Primary Dealer Market Makers (PDMMs) very active in both the primary and secondary markets. The volume of transactions in the secondary FGN bond market, has also recorded phenomenal growth: from an almost nil position a year ago, the value of transactions has grown to about N500 billion monthly trades, as at end of July, 2007.

In addition to all this, repayment of some verifiable local debts has commenced: some of the monies owed local contractors have been paid (some via bonds) just as some pension arrears of the government had been settled. Stricter and tougher conditions are also being put in place for would-be borrowers, especially state governments that usually rush to the market to raise funds for unsustainable projects. In this regard, the DMO has commenced some technical collaboration with the various state governments in managing their debts and finances generally.

POWER AND STEEL

During the quarter under review, the Nigerian Electricity Regulatory Commission (NERC) issued technical agreement documents on "connection, interface and use of networks, plus ancillary services for users of electricity networks". These agreements give legal force to the grid, distribution and metering codes that became effective on August 1, 2007. This is in anticipation of the coming on-stream of some of the Independent Power Plants (IPPs) being constructed by 20 companies licensed by the NERC in order to boost power generation and supply in the country. When all these become operational, they will collectively add about 8,237 Mega Watts (MW) of electricity to the national grid. This will be in addition to the (ongoing) eleven Federal Government's power plants spread across the country.

There is also an initiative among the three tiers of government to set up a new company –Niger Delta Power Holding Company Limited—that will manage the nation's eleven IPPs. Seven of the current eleven IPPs are located in the Niger Delta. Under the arrangement, funds for the establishment of the company will be deducted at source from the Federation Account for all states and local governments. Also, Unitron Nigeria Limited, an indigenous company, and the Federal Government have commenced the building of a wind farm at an estimated cost of N90 billion, as an alternative source of energy in the country. Under the first phase of the project, about 5,000 wind machines that will generate 15,000MW of electricity, will be built.

In pursuit of more IPPs, the Federal Government has set aside about N3.5 billion to "assist state governments that are willing to generate their own power". This is part of Government's initiative to have many smaller IPPs as a way of mitigating the challenges posed by the delays in the formal take-off of the bigger ones across the country. The Nigerian National Petroleum Corporation (NNPC), the Nigerian Gas Company (NGC) and a US company—WESCO Energy Limited—are also embarking on a two-phase project in the Niger Delta to set up some power plants. The project which is planned to generate a minimum of one thousand mega watts

Yearly Total and Distribution of Nigeria's Local Debts

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	-	-	-	-	[illegible]	[illegible]	[illegible]	[illegible]	-
[illegible]	-	-	-	-	-	-	[illegible]	[illegible]	[illegible]
[illegible]	-	-	-	-	-	-	-	[illegible]	-
Others	-	-	-	-	-	-	-	-	-
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: Debt Management Office / Research & Economic Intelligence Group.

of electricity when the plants become fully operational, will gulp about $10 billion.

OIL, GAS AND PETROLEUM RESOURCES

More than during the first half of this year, the period under review experienced consistent and significant increases in the prices of crude in the international oil market. From a level of $54/barrel early in the year, the Organization of Petroleum Exporting Countries (OPEC) average crude price moved up to $65/barrel in June, $67.70/barrel in August, and to $74.18/barrel in September. This trend has continued. But Nigeria's supply to the market was unstable during the quarter under review. In fact, under the OPEC crude supply arrangement, Nigeria's supply was revised down by 115mb/day for July to 2.1 mb/day, but was raised to 2.15 mb/day in August. These were in reaction to developments in the Niger Delta (oil producing) region where youth restiveness has caused some disruption to crude production/ supply activities.

However, sequel to the crude demand/supply situation in the global market, OPEC members on September 11, 2007, resolved to increase crude supply to the market, saying that: "the high-demand winter season necessitates keeping the market adequately supplied." Thus, the volume of crude supplied to the market by OPEC member countries (excluding Angola and Iraq) shall, effective November 1, 2007, increase by 500,000 barrels/day.

Power Generation Expansion Plan (2006 - 2010)

	Dec - 06	Dec - 07	Dec - 08	Dec - 09	Dec - 10
Existing Power Stations	3357	4072	3688	3780	3780
Existing IPPs	750	750	750	750	750
On-going FG Projects	1001	1406	2512	3528	4544
On-going NIPP PS	0	2203	2743	2743	2743
Proposed JV-IPPs	0	1228	2790	2790	2790
Other IPPs	90	618	1365	1365	1865
Total	5198	10326	13848	14956	16472

Source: J. O. Majoku - "Update on activities in the Nigerian Power Sector", January, 2007
[All figures are in Megawatts]

But while this scenario played out on the global oil scene, the down stream situation in Nigeria was yet confronted by some challenges. In fact, the Warri and Kaduna refineries were shut, and undergoing repairs while the Port Harcourt refinery was only barely functional. Thus, imported petroleum products remained the major supply source all through the period under review. The Federal Government had earlier in the year, revoked the licences it issued to a number of companies to build private refineries, on ground of their "non-performance." And further to this, Government also announced a new policy under which the state oil company—the Nigerian National Petroleum Corporation (NNPC)—is to be broken up into five operating companies. The NNPC itself, in conjunction with International Oil Companies (IOC), is establishing two new refineries with capacities for 200,000 barrels daily each to be located in Okrika and Brass.

There are also some new private investments in the downstream sector. Oando has awarded contract for the construction of a Single Point Mooring (SPM) to be sited at the Atlantic Ocean for easy access of offloading vessels at the Apapa jetty in Lagos. Capital Oil and Gas Industries Limited is also expanding a jetty, developing new retail outlets nationwide as well as purchasing trucks. The jetty is to be constructed under the Build Operate and Transfer (BOT) arrangement, and would have the capacity to accommodate 20,000 metric tones (MT) vessels.

(Marcel Okeke is the Editor, Zenith Economic Quarterly)

TELECOMS SUBSCRIBER INFORMATION (YEAR 2004- AUGUST, 2007)

	OPERATOR	2004	2005	2006	Mar-07	Jun-07	Aug-07
Connected Lines	Fixed Wired/ Wireless	1,027,519	1,223,258	1,687,972	1,697,567	1,722,507	2,035,235
	Mobile (GSM)	9,174,209	18,587,000	32,322,202	34,240,613	38,062,353	43,066,679
	Mobile (CDMA)	N/A	N/A	N/A	N/A	N/A	434,317
	Total	10,201,728	19,810,258	34,010,174	35,938,180	39,784,860	45,536,231
Active Lines	Fixed Wired/ Wireless	N/A	N/A	N/A	N/A	N/A	999,023
	Mobile (GSM)	N/A	N/A	N/A	N/A	N/A	35,737,434
	Mobile (CDMA)						321,666
	Total	N/A	N/A	N/A	N/A	N/A	37,058,123
Installed Capacity	Fixed Wired/ Wireless						2,331,640
	Mobile (GSM)	N/A	N/A	N/A	N/A	N/A	57,608,525
	Mobile (CDMA)	N/A	N/A	N/A	N/A	N/A	535,000
	Total	N/A	N/A	N/A	N/A	N/A	60,475,165
	[1]Teledensity	8.50	15.72	24.29	25.67	28.42	[2]26.47

[1] Teledensity was calculated based on population estimate of 126million people up till Dec 2005; from Dec 2006, teledensity was based on a population estimate of 140m.
[2] Teledensity for August 2007 was based on active subscribers
Source: NCC

NATIONAL OUTSOURCING POLICY & INSTITUTIONAL FRAMEWORK

1.0 Introduction

The present Administration, in realization of the serious implications of Nigeria's finite oil reserves, has continued to explore and exploit alternative sources of national income generation, notably agriculture and solid minerals which have featured prominently in Government's economic development agenda.

However Outsourcing is gaining momentum globally as a potential source for enhancing revenue generation particularly in the developing economies with net advantages in operational costs for wages and key expenses.
In its most common form, Outsourcing occurs anytime one enterprise makes a contract with another to perform a process that is normally done internally by the first enterprise.

In the late 1960s, however, outsourcing took a major leap forward when firms began to use data transfers to outsource their payroll administration, i.e., the task of calculating workers' wages and deductions and issuing checks. This marked the emergence of a powerful concept: IT enabled Outsourcing.

Today, businesses all around the world are taking advantage of the global market place and are constantly searching for economies where cheap and readily available skills and expertise can be employed to improve their overall profitability. This win-win scenario is widely accepted as the new paradigm of strategic business theory. Today, India, China, and other South East Asian economies have made outsourcing an important emerging and key sector in the development of an economy.
Given Government's recognition of the growing importance of the outsourcing economy in the wealth of nations, it is imperative that concerted efforts should be made to develop the sector in Nigeria.

2.0 The Case for a National Outsourcing Programme for Nigeria

Nigeria's economy, which is the most populous in Africa and with an estimated population of over 120 million and GDP of over US$72.1 billion, should by no means be left behind in the outsourcing initiative train.

Government recognises that the basic ingredients for the development of a vibrant outsourcing sector are available in Nigeria - abundance of cheap and readily available skills and expertise, especially fluency in English Language, which is the predominant language for global commerce, potential market size, etc and accordingly intends to exploit this advantage to facilitate the development of the sector to harness the benefits of an outsourcing based economy.

The analysis of the costs and the benefits of this global trend to the Nigeria economy show that Nigeria stands to gain tremendously from developing an outsourcing sector in both the shortrun, and in the long-run. A viable outsourcing sector will further diversify the foreign exchange earning base of the economy. It will also enable the nation to enjoy the benefits of free trade: lower cost, higher labour productivity and more efficiency.

The competitive strength of Nigerian vendors will be anchored on a low cost value creation strategy that is backed by a reputation, which is guaranteed by the Government's willingness to provide indemnities through an insurance pool developed in consultation with local financial institutions.

A vibrant outsourcing sector is estimated to provide 10,000jobs in IT and Non-IT related jobs in the first three years of implementation alone and over 45,000 new jobs in the next four years. In addition to this, the Federal Government's revenue from licensing and taxation of profits from Outsourcing companies is projected to grow from =N=55 million in the fifth year to over =N=1.3 Billion by the tenth year Also, developing a vibrant Outsourcing sector is inline with NEEDs policy of the Federal Government and it will have a tremendous impact on the productivity of Nigeria. Within a four year period, Outsourcing is projected to grow into a =N=90 Billion industry in Nigeria alone.

It is for these various reasons that Government decided on a policy intervention to further the development of an outsourcing sector in Nigeria.

The Federal Government's revenue from licensing and taxation of profits from Outsourcing companies is projected to grow from =N=55 million in the fifth year to over =N=1.3 Billion by the tenth year.

3.0 The National Outsourcing Policy

To achieve all the tremendous benefits from a flourishing outsourcing sector, there is need for a concerted and coordinated effort between Government and the private sector. The National Outsourcing Policy addresses the necessary legal institutional and economic incentives in terms of tax moratorium, designation of a Technology Economic Zone, access to credit through the SME programme, facilitation of dialogue and business networking opportunities with global leaders in outsourcing and Nigerians in the Diaspora, as well as sponsored trade missions to different countries.

It also focuses on a wide range of issues that would foster and facilitate the development of a globally competitive outsourcing sector in Nigeria and ultimately make Nigeria the major IT Enabled Outsourcing hub in West Africa.

3.1 Direction of Policy

The Federal Government proposes to collaborate with the private sector to pursue an accelerated phase-by-phase implementation strategy, in which the outsourcing economy will first be developed to focus on onshore markets, then near-shore markets and finally the global offshore market.

To successfully implement the National Initiative on Outsourcing, there is need for a strong collaborative effort between government and industry leaders in the private sector. The role of government in this initiative is to provide an enabling environment with necessary incentives that will motivate both local and foreign entrepreneurs to invest in this sector.

3.2 Policy Thrust

The key thrusts of the policy are:

i. To promote an outsourcing orientation starting with onshore outsourcing and progressing through near-shore to offshore outsourcing by encouraging stakeholders' involvement in developing a vibrant outsourcing sub-sector;
ii. To grow Nigeria's image internationally, as the preferred outsourcing destination and ICT business hub by developing a globally competitive Information Technology Enabled Services (ITES) Sector;
iii. To facilitate the diversification of the Nigerian economy through growing the outsourcing sector by amongst other things, actively engaging the private sector in public private partnership arrangements;
iv. To facilitate the development of appropriate ICT infrastructure to support capacity building for and quality service delivery in the outsourcing sector.

3.3 The Policy Objectives

The overall policy objective is the promotion of an enabling institutional, legal, regulatory, technological, and infrastructural environment for the sustainable development of the Outsourcing sector in Nigeria. The specific objectives include:

i. Actualization of the goals of the NEEDS policy of Government in the area of Information Technology Development;
ii. Developing a globally competitive Information Technology Enabled Services (ITES) Sector in Nigeria towards making Nigeria a regional ICT Outsourcing hub for West Africa;
iii. Promoting Local and Foreign Direct Investment in outsourcing infrastructure development;
iv. Developing an Export-Oriented ICT Product and Service delivery industry;
v. Facilitating the diversification of the national economy through the development of a vibrant outsourcing sector and further strengthen Nigeria's economic base;
vi. Accelerated Human Resource and ICT Infrastructure development to support growth in the outsourcing sector;
vii. Facilitate rapid deployment of ICT and enabling physical Infrastructure;
viii. To achieve lower unemployment rates, particularly amongst the highly skilled graduates that are increasingly being faced by a competitive job market;
ix. Facilitate the identification of potential government outsourcing business to jump-start growth in the sector through onshore outsourcing; and
x. Ensure an integrated and coherent effort and coordination between the States, Local Government Areas and the Federal Government in the development of appropriate capacity and enabling environment for the growth and development of the outsourcing sector.

3.4 Policy Targets

Based on the objectives listed above, the targets of the policy are to:

i. Facilitate the creation of a minimum of 10,000 jobs in the outsourcing sector within three years of implementation of the policy;
ii. Initiate the development of adequate capacity through providing relevant Outsourcing Data Centres and Model Call Centres to set benchmarks for service delivery in the outsourcing sector consistent with the SERVICOM CHARTER;
iii. Enhance by 100%, the contribution of the outsourcing sector to national GDP within two years of launching the Outsourcing Policy;
iv. Facilitate the emergence and growth of at least 500 new entrepreneurs in the sector (who would employ an average of 20 people) within three years of implementing the policy through specific funding support under the SMIEIS initiative of Banks;
v. Develop a national outsourcing orientation and information data bank on businesses involved in outsourcing within the first quarter of the launch of the programme;
vi. Achieve global recognition for Nigeria's outsourcing sector as a preferred destination for outsourcing business by the end of 2010;
vii. Develop adequate outsourcing-specific infrastructure to ensure service quality to global standards by end of 2009.

3.5 Policy Strategies

To accomplish the above stated objectives and targets the following strategies will be undertaken:

To successfully implement the National Initiative on Outsourcing, there is need for a strong collaborative effort between government and industry leaders in the private sector.

i. Government will develop a sustainable funding mechanism for the outsourcing sector as follows:
   a) A special Outsourcing Development Fund would be established;
   b) The Outsourcing sector will be a key beneficiary of the proposed National Information Technology Development Fund;
   c) Banks will be encouraged to invest part of their SMIEIS Funds to adequately cater for financing of outsourcing entrepreneurship development through special incentives;
ii. Acceleration of the National ID Project to provide standardised and secure national system of identification which will create more confidence in the international community regarding the cross border relationships that typify outsourcing businesses;

iii. Government funding of appropriate ICT infrastructure development that will provide Outsourcing businesses reliable facilities (for example call centre communication and reliable high speed internet connectivity);
iv. Immediate development of a database of companies engaged in IT Enabled Outsourcing business in Nigeria;
v. Establishment of standards for specific outsourcing businesses to enhance the quality of service delivery;
vi. Registration and accreditation of outsourcing companies for certification to stipulated minimum standards in conformity with the new policy guidelines and international best practice;
vii. Promotion of public private partnerships in the outsourcing industry by encouraging all tiers of Government to devote resources to improving infrastructure for efficient running of call centres irrespective of location; and
viii. Suitable incentives (such as tax relief over a period) to encourage strong private sector leadership of the sector.

4.0 Legal, Institutional and Supervisory Framework

4.1 Introduction

Building a Legal, institutional and Supervisory Framework to attract IT-Enabled Outsourcing is essential for the development of the outsourcing sub-sector of the Nigerian economy. Although IT-Enabled outsourcing are essentially non-legal, to improve Nigeria's potential to attract outsourcing business, Government, as part of policy objectives would focus on further strengthening of appropriate legislative and regulatory processes towards ensuring that the environment is conducive for outsourcing business to thrive.

It is Government's intention to support the development of these segments of the outsourcing market and support appropriate capacity building schemes for the requisite skills set for each segment.

4.2 Required Legislation

To foster the development of a virile outsourcing sector, appropriate legislative framework will be put in place. The proper implementation of this policy is predicated on the enactment of the National Information Technology Development Agency (NITDA) Bill which amongst other things addresses the development of Business Process Outsourcing, skills/human resource capacity building and outsourcing-specific ICT infrastructure development framework in Nigeria.

4.3 Self-regulation:

One method for minimizing dispute is through self-regulation. Government will encourage the establishment of an IT-enabled outsourcing trade association such as a National Outsourcing Association and a public private partnership to establish a voluntary quality program, which ITES providers can join in order to demonstrate that they satisfy the level of service expected within the industry.

5.0 Creating a Competitive Environment for the Outsourcing Sector

5.1 Introduction

An important ingredient for the rapid development of the outsourcing sector in Nigeria is the institutionalization of a competitive environment which would foster healthy competition amongst service providers and thus enhance the general service quality of service in the country.

Government proposes to support the evolution of healthy competition in the outsourcing market with special emphasis on specialisation.

5.2 Scope of IT-Enabled Outsourcing

The outsourcing market is a large one and therefore the various IT- Enabled Outsourcing services that the policy is focused on include the following:

- Software Development
- Website/E-Commerce
- Hosted applications
- Disaster Recovery Services
- Network Operations
- Desktop Support
- Data Centre Support
- Help Desk

Software development is the fastest growing of all the above market segments and Government has already embarked upon complementary initiatives to boost this as well as other segments in the local market. In more specific terms the markets that the policy would focus primarily on could be categorised as follows:

- Back office: payroll; accounting; finance; tax preparation; internal auditing, processing of documents, transcripts, applications, or claims, and data storage;
- **Front office**: marketing & customer service through call centres, email, Websites;
- **Operation departments:** procurement, inventory and supply chain Management;
- **Special projects:** transition to new software, application service provision, internet service provision.

In any case, it is Government's intention to support the development of these segments of the outsourcing market and support appropriate capacity building schemes for the requisite skills set for each segment.

To facilitate an orderly development of the sector Government proposes to encourage the establishment of strong sub-sector of providers of outsourcing services as well as strong domestic market/buyers.

Accordingly the supervisory institution (NITDA) would be strengthened to enable it foster the development and use of appropriate schemes and procedures to foster the use of standard contract agreement which incorporates minimum standards of product/service specifications consistent with global best practices and standards.

In particular Government policy is targeted at encouraging specific role playing in the outsourcing market, typically categorised as follows:

- ***Providers:*** firms that provide IT-enabled outsourcing services;
- ***Buyers:*** firms deciding which provider they should outsource their processes to;
- ***'T-integrators:*** large companies that establish global networks of service centers at which they centralize the IT-enabled outsourcing work of multiple clients to achieve economies of scale;
- ***Application Service Providers (ASP):*** Smaller providers that generally focus on one process or industry and handle medium-sized accounts.

IT-Enabled outsourcing business thrives better where service specialty is encouraged.

Government proposes to facilitate specialisation and would thus encourage service specialty in the following areas;

- ***Back office:*** clerical, accounting, and software skills which are more important than language skills because the IT-enabled outsourcing service provider interacts only with its client.
- ***Front office:*** Telecom is more important for front office operations (e.g., call centers) than it is for back office operations, and language skills are as important as other skills because the IT-enabled outsourcing service provider interacts with its client's customers.
- ***Middle Office:*** Services that are very essential and provide a link between the front and back Office services in total quality service delivery chain.

6.0 The National Outsourcing Programme

As part of efforts to institutionalise a competitive outsourcing sector in Nigeria Government proposes in this policy the systematic development of appropriate capacity through a National Outsourcing Training Programme (NOTP). NOTP, which is conceived as a mechanism through which outsourcing skills set and other requisite capacity would be developed and rules of engagement standardised in line with global best practice with different institutions playing specific roles in different locations towards achieving the objective of manpower development for the sector, is the primary scheme for capacity building for the sector.

Government has shown a desire over the last couple of decades to stimulate economic growth through the promotion of free trade and economic zones.

The various initiatives under the NITDA towards manpower development (like Software Engineering Training Institutes (SETIs) and ETF/NITDA Centres of Excellence (COEs)) and the formal educational system are complementary programmes in this process. Together they form a virtual capacity building network for the national outsourcing programme.

Accordingly, an Outsourcing Department would be set at the NITDA to function in a supervisory capacity as well as coordinate outsourcing-specific ICT infrastructure development across the country, in collaboration with other appropriate institutions as represented in the schema (see diagram).

7.0 **Stakeholders' Responsibilities**

7.1 **Government's promotional role:**

Government will provide information to potential outsourcing buyers and providers in collaboration with the private sector. Government will encourage participation in and hosting of international conferences, workshops, seminars, exhibitions and trade missions, etc to continually expose Nigerian entrepreneurs and government officials to developments in the global market place.

Furthermore Government will "jump-start" the IT-enabled outsourcing economy by specific outsourcing of some of its non-critical functions and services in addition to existing measures it has embarked upon (CANI etc).

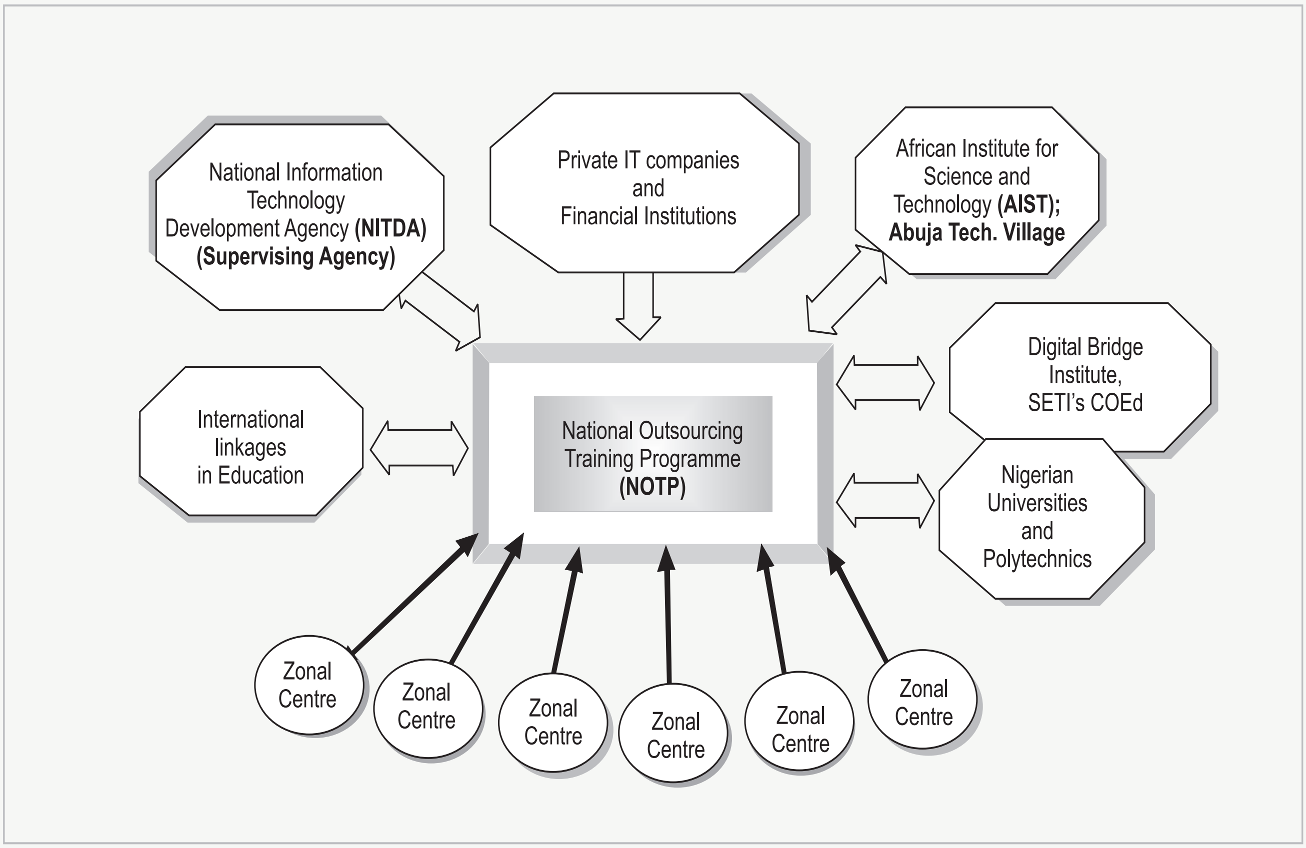
7.2 **Public-private partnerships:**

Government will encourage public-private sector partnership especially with indigenous businesses and trade associations, (and also universities and other civil society actors) in the development of appropriate ICT infrastructure especially software parks as well as investor support through various forms of incentives in addition to those approved under the Nigerian Investment Promotions Council.

8.0 **Funding of the National Outsourcing Programme**

Government proposes to create a funding arrangement that is safe, conducive and investor friendly. The funding objectives include the creation of a healthy environment with globally acceptable risk standard, stable economic environment, suitable framework for financing skills and capacity development amongst others. In specific terms therefore, the outsourcing programme will be funded largely from the following sources:

- Government incentives to Banks to allocate a greater proportion of the SMIEIS Fund to funding entrepreneurs in this sector;
- Creation of a national outsourcing development fund;
- Application of part of the Universal Service Provision Fund (USPF) and the Digital Solidarity Fund towards



the development of ICT infrastructure that would support the development of the outsourcing sector.

9.0 Development of Outsourcing-Specific ICT Infrastructure.

Government will promote the establishment of IT parks and ITES free trade zones .towards the development of outsourcing-specific ICT infrastructure. These parks will include cutting-edge telecom links, a separate power grid, and modern tech-equipped offices. In addition to the lower tax and other incentives that would be offered, such parks will create a "cluster" effect in the country towards attracting ITES providers.

Government has shown a desire over the last couple of decades to stimulate economic growth through the promotion of free trade and economic zones. The results have only recently become encouraging. Government will continue to pursue this strategy in the development of the outsourcing sector.

Because of the cost of infrastructure development, Government will lead the way in building model Digital Parks and Villages like it did with the Calabar Export Processing Zone to catalyse investment in IT Parks and ITES free Trade Zones.

To ensure sustainability and consistency with Government's reform agenda, these Parks and Digital Villages would be developed in partnership with the private sector in line with the Administrations' Public -Private Partnership initiative.

10.0 Consultation with Stakeholders

A concerted and coordinated effort between Government and the private sector is essential for the optimisation of the benefits of a well developed outsourcing sector.

Aside from the primary focus of policy on basic incentive for private sector participation in the outsourcing sector, Government will promote regular dialogue with the private sector, leaders in the global outsourcing market and Nigerians in the Diaspora, as well as facilitate trade missions to leading countries in the outsourcing business.

In furtherance of this, the National Technology Development Agency (NITDA)will regularly host a Stakeholders' Forum with the aim of creating business networking opportunities for Nigerian businesses and a platform for reviewing developments in the local and global market with a view to informing policy adjustments.

11.0 Policy implementation process

An essential aspect of the development of the sector is the graduated approach towards realising the objectives of policy. Government will therefore undertake the implementation of the policy in phases, focusing simultaneously on the legislative, infrastructural, funding and human capacity issues. Central to the implementation process is the public-private sector partnership initiative of this Administration.

Linking Policy to economic results in this way presupposes that focus will be on the accelerated phase-by-phase implementation strategy already mentioned, in which the development of the outsourcing market will first focus on onshore markets, and then proceed to near-shore markets and finally to the global offshore market.

As a first step Government will provide a take-off grant for the setting up of the institutional mechanism as well as the required public awareness campaign. Government will set up Pilot Call Centres to afford diverse sections of the Nigerian public, better understanding of the economic and career opportunities in the Outsourcing sector. In the pilot scheme there will be a Call Centre in Abuja and one in each of the six zones in the country.

12.0 Proposed implementation Timeline Quarter one and two 2007;

- Set up an Outsourcing department at NITDA;
- Develop a database of Nigerian IT companies already engaged in outsourcing business (ISPs, Consulting Firms, Web, Application and Database developers, Business Support Services, Radiologist, and Application Service Providers) and those with potential to engage in outsourcing business;
- Hold consultative meetings with NITDA, SMEDAN, NEPC, NUC, FMST, NITEL, and TELCOs to create the platform for the successful implementation of National IT Outsourcing initiative;
- Hold a consultative meeting with the Nigerian IT companies enlisted in the database to ascertain necessary incentives such as tax relief and tariff moratorium, loan guarantees and licensing conditions;
- Initiate the process for the selection of independent consultants to assist in the implementation of aspects of the policy with respect to the SME loans program;

- Launch National Outsourcing Initiative portal with public awareness campaign;
- Initiate the process for implementing organized global consultative missions for selected private sector IT companies including active dialogue with Nigerian IT professionals and Nigerians in the Diaspora,

Quarter Three, 2007;
- Develop skills acquisition and other training programmes consistent with the identified segments of the outsourcing market;
- Hold review forum with stakeholders on compliance with designated milestones.
- Articulate a programme for the development of phase two of the Call Centres nationwide in collaboration with the private sector
- Develop a strategy document to fast track the development of the onshore and near shore outsourcing markets.

Quarter four, 2007;
- Commence organised global consultative and trade missions in collaboration with the private sector;
- Hold a consultative meeting to evaluate success in implementation;
- Hold consultative meetings with stakeholders, financial institutions and interested foreign companies to discuss necessary modalities for smooth execution of contractual obligations;
- Establish strategic alliances and partnerships with various foreign businesses interested in outsourcing to Nigeria;
- Commence Cross Border Business Process Outsourcing Business marketing.

Phase two : Making Nigeria the African IT Hub Project

Nigerian services will be more cost effective than that obtainable in international markets due to proximity. Also the cost of financial transactions will put Nigerian vendors ahead of the competitive curve with global players in the industry. The critical success factor would be the quality of service delivery. Government will focus on enabling Nigerian businesses achieve this advantage.

In general, Nigerian vendors can sell the following outsourcing services to other African countries:
- Web Design and Hosting
- Database Design and Hosting
- Data Management Services
- Medical Transcription and Coding System
- Document Digitization and Management System
- Help Desk and Call Centre Services
- Financial Analysis

Accordingly, to provide the necessary incentive for the successful implementation of this second phase, Government will:
- Continue to promote healthy economic ties with African countries starting with West African countries;
- Support specific outsourcing trade missions across re gions of Africa for Nigerian IT companies;
- Encourage the hosting of international Conferences and Trade Exhibitions on Outsourcing;
- Institute incentive packages for IT companies undertaking outsourcing businesses in Africa;
- Support IT companies in professionally sourcing outsourcing jobs in Africa.

Phase three: Global Market Entry

To achieve a global market share would require the development of a systematic entry strategy.

Accordingly the plan is to commission consultants to assist Nigeria in the development of a marketing strategy for the branding of outsourcing products and services in Nigeria. This would precede any specific effort at launching Nigeria into the global outsourcing market from the third year of implementation of the policy.

13.0 **Conclusion**

Government realises the need for facilitating the development of the Outsourcing sector as a strategy for diversification of the Nigerian economy as well as wealth creation through job opportunities that will result from an orderly development of the sector.

Accordingly Government commits to the rapid development of the sector and would strengthen and fund the NITDA, which is the primary institution that will implement Government's policy in this regard, to effectively implement the policy.
Government invites the private sector to take advantage of Government's commitment towards the development of the outsourcing sector in Nigeria.

POVERTY: The Challenges, The Imperatives

No society can surely be flourishing and happy of which the far greater part of the members are poor and miserable. - Adam Smith

*** By IK. Muo**

Poverty is a complex, multidimensional and hydra-head phenomenon that has existed from time immemorial but has come to occupy the centre stage in global affairs. There is no agreement as to its definition or the simple matter of how to measure it. There is no certainty as to when one moves from the "non-poor" into the poverty trap. Poverty was already a serious problem in the days of Christ [Matthew,26:11-the poor you always have with you] while in 1958, Galbraith already listed the indicators of poverty as including insufficient food, poor clothing, crowded, cold and dirty shelter, painful and brief life and income that falls markedly behind that of the community [1958:251]

But in all this confusion, one thing is indisputable: poverty is one of the greatest challenges facing Nigeria today. For while the UNDP describes those living on less than $I daily as the poorest of the poor, a sizable percentage of Nigerians live on much less than that. But then there are those who earn even less than 10 cents daily in remote villages and still live much better in all dimensions than those who earn more than $100 monthly in Lagos. And that is just one of the problems with the study of poverty.

UNDP was originally not sure whether poverty is rising or falling as it releases conflicting publications on the issue[(Deaton 2002, 4); though by 2005, it agreed that the global figure had improved from 28% to 20%. Really, measuring the effectiveness of various anti-poverty initiatives

has been very problematic over the years[(Ahmed, 2002, 8); and the search for what should be the appropriate response (solution) to the scourge has also been a mirage. Prescriptions have moved from labour-intensive growth and increased social spending to more opportunities, empowerment and security. That is why poverty is such an enigma. How does one tackle a problem when there is nothing certain or definite about it?

President Musa Yar'adua in his seven-point agenda, has declared his intention to focus on energy production and power supply, agriculture, wealth creation, transportation, land law reforms, security and education-driven poverty eradication. All these goals have a lot to do with poverty reduction. The success or failure of every government is a function of its performance on the economic front. In the US, Clinton escaped from the Lewinsky quagmire because of his creditable performance on the economic front; Bush[II] is finding things tough in the White House because of his perceived weak performance on the same front. And stripped to its bare essentials, economic development is about enhancing the living standard of the people; it is about reducing those within the poverty bracket to the barest minimum.

This paper x-rays the nature and scope of poverty, the global and local realities, the causes and efforts made to alleviate it so far and suggests a basket of strategies for managing the poverty challenge in Nigeria. This is done in eight parts: Part One is this introductory section; Part Two explores the nature and scope of poverty; Part Three examines the global dimension of the phenomenon; Part Four explores poverty in Nigeria; Part Five identifies the reasons for poverty in Nigeria; Part Six reviews government efforts and why they have not yielded optimal results; Part Seven suggests ways out of the quagmire with emphasis on the roles of the Government, the private sector and the individuals while Part Eight is the conclusion.

The Nature And Scope of Poverty

Poverty is a multi-dimensional phenomenon involving tangible and intangible indicators. There is poverty as it relates to income, health and level of education. Vulnerability to social injustice, powerlessness and voiceless-ness are also critical indicators. There are also other esoteric aspects of poverty which are yet to receive attention such as intellectual poverty (shallow intellectualism, dearth of issue-based debates); cultural poverty (people who have abandoned and are even ashamed of their culture or are not allowed to express themselves culturally); ethical and moral poverty (where people do everything outside the books to achieve selfish goals). The poor has also been classified as the entrepreneurial poor, the self-employed poor, the labouring poor and the vulnerable poor.[Adeola,2000:4]. We can also see poverty as a situation in which a person lacks the capability to function [Sen, 1985 &1999] and is not able to enjoy the core values of development: sustenance [ability to meet basic needs], high self esteem [to be a person]and freedom from servitude[to be able to choose] and lacks the ability to reach his/her full potentials-*be what he wants to be/achieve what he wants to achieve*. [Todaro & Smith, 2003:25]

Economically, the poor is in distress, unable to meet the floor of the basics of life; socially, he does not exist as his social web is very narrow and further reinforces his poverty; politically, he can not influence how he is ruled but he must obey all the rules even under democracy and because of all this, psycho-mentally, he lacks self confidence; he is timid and lives in perpetual fear and anguish. Simply put, he is down and out, he has fallen to the extent that there is no further space to fall into. He is debased by the society and he further debases himself; there are no chances of self-actualization and self-fulfillment. [Muo,2003:16]

Poverty is both absolute as when one is just poor, and relative as when one is poor in comparison to his immediate environment. A "non-poor" person in Chad will surely be among the extremely poor in Denmark. It also varies across continents, across the Developed Countries/Less Developed Countries (DC/LDC) divide, across countries, across races, and even within countries. The gender dimension of poverty is receiving increasing attention of late. UNESCO reports that whereas 67% of global work is done by women who also produce 50% of its food, only 10% of world income and 1% of property belong to women. The number of women living in absolute poverty also rose by 50% in the last 20 years. [Muo,2004:3]

The issue of inequality is also very critical in the poverty matrix. The UNDP in 2002 estimated that the richest 5% of the world's population have incomes 114 times those of the poorest 5%. In 2005, it estimated that the worlds 500 richest people had combined income more than the world's poorest 416 million and that 2.5billion people [40% of the worlds population] live on less than $2 daily. In fact, it equates the global income distribution to a Champaign glass. At the top, where the glass is the widest, the richest 20% of the population own 75% of the world income. At

Table I: **Nigeria: Selected Indicators; 2006**

Access to Water:	84.4%
Electricity:	54.1%
Adult Literacy:	64.2%
Youth Literacy:	76.5
Access to Primary Education:	74.6
Access to Secondary Education	46.3%

Source: ***Wali, A. [2007]: Review Of NEEDS & Development of NEEDS2***

Table II: **Nigeria: Quality Of Life Indicators Relative To The Past & SSA Countries**

QUALITY OF LIFE	Score out Of 10	Compared to pre-1999	Compared to SSA
Human development ranking	5	↓	↔
Life expectancy	6	↓	↑
Under five mortality	2	↓	↓
% of 1 yr old Immunize against Measles	0	↓	↓
% of 1 yr old Immunize against Tuberculosis	0	↓	↓
% of population accesses to clean water	1	↓	↓
% of population using adequate sanitation facilities	7	↓	↑
Number of phone lines per 1000	5	↑	↓
Number of Internet users per 1000	4	↑	↓

Source: ***Okoromadu,T [2007] Nigeria's Socio-Economic Performance In Sub Saharan Africa,1999-2005; BusinessDay, May 9th ,p16*** the bottom, the poor 40% own 5% of the income while the poorest of the poor 20% control a meager 1.5% of global income! The World Bank also estimates that 80% of the oil and gas revenue in Nigeria accrues to 1% of the people and Soludo [2007:5] affirms that Nigeria is one of the most unequal societies in the world. In its 2005 report, the UNDP complains that these extreme inequalities which have a direct bearing on what people can be and what they can do, violate the basic precepts of social justice, and are bad for growth, democracy, social cohesion and for the Millennium Development Goals [UNDP,2005:36]. In the US, about 30% of the total income goes into the pocket of the upper 10% of households while the lower 20% make do with 5% [Awake, November 8,2005]

The Global Dimension Of Poverty

Poverty is a global phenomenon, affecting almost half of the world's population. The World Bank reports that 2.5billion of the World's six billion people live on less than $2 a day while one billion live on less than $1 a day. Six infants of every 100 do not see their first birthday and eight do not survive to their fifth. Of those who do reach school age, nine boys in 100 and 14 girls do not go to primary school. It also reports that whereas the global per centage of the poor reduced from 28% to 24% between 1987 and 1998, the number in Africa rose from 217 million to 291million, almost half of the population. Factors responsible for this include political crises, wars, conflicts, natural disasters, mal-administration, corruption and structural adjustment programmes. One of the foremost measures of poverty is the Human Development Index, which considers variables like longevity (life expectancy), educational attainment (adult literacy and school enrolment) and living standards (GDP/Capita). Countries enjoying high Human Development Index are characterized by lower inflation, lower budget deficit and external debt, better rule of law, low foreign exchange premium and lower financial crises.

"The statistics on poverty in Nigeria, from whichever source, is quite disheartening. In absolute number, the poor in Nigeria has increased from 18 million in 1980 to 67million 1999 and about 80 million 2004."

Because mass poverty is a threat to global peace and development, there have been concerted efforts to tackle it at a global level. The United Nations and its organs have been at the forefront of these anti-poverty initiatives. The World Bank 2000 – 2001 report devoted to poverty issues recommends the promotion of opportunities, facilitation of empowerment and enhancement of security as key strategies for poverty eradication at the national levels. At the global level, it recommends promotion of global financial stability, bridging the digital divide, providing resources for international public goods, increasing aid and debt relief and giving voice to poor countries and peoples in global fora. The World Bank has also severally initiated and promoted programmes aimed at reducing poor peoples' vulnerability to ill health, economic shocks, policy-induced and natural dislocations and violence while helping them when these occur.

One of the most recent global initiatives on poverty is the Millennium Development Goals agenda, which is aimed at eradicating extreme poverty in the World by 2015. The package is made of eight goals and 18 time-specific targets all tailored at the 2015 date. The goals are the eradication of extreme poverty and hunger, achieving universal primary education, promoting gender equality and empowering women, reducing child mortality, improving maternal health, combating HIV/AIDS, malaria and other diseases, ensuring environmental sustainability and developing global partnership.

Poverty In Nigeria

In Nigeria, poverty is pervasive with frightening depth and breadth. It affects all geopolitical zones of the country. The poor in Nigeria like those elsewhere are powerless, voiceless, lack the basics of life and are generally deprived. In Nigeria, such people have insufficient income, lack access to basic services, political patronage and family support and mostly live in neglected rural areas. They are also likely to be subsistence farmers and to face food insecurity; have limited access to credit and shelter; they survive on menial jobs and can barely afford to send their children to school; and they are likely to be drawn from female headed families, elderly persons and abandoned children-street-kids (CBN; 1999: 8, Adeola; 2000:3).

The statistics on poverty in Nigeria, from whichever source, is quite disheartening. In absolute number, the poor in Nigeria has increased from 18 million in 1980 to 67million 1999 and about 80 million 2004. In percentage terms, it has moved from 43% in 1992 to 66% in 1997 and at least 70% in 2002. Comparative 1997 figures are Ghana (29%), Uganda (44%), Burkina Faso, 45%, (World Bank 2000). However, Government statistics indicate that the poverty level has reduced to 54% as at 2005. Some other indicators mostly from government sources paint an excellent picture [see Table 1].

A comparative analysis of our current quality of life matrix both relative to the pre-Obasanjo years and relative to other Sub-Saharan African countries also show that we are yet to get to the promised land [see Table II]. In addition to the scores, the arrows show the relative performance of these indicators: a downward arrow indicating worse performance while an upward arrow indicates better performance.

The 2007 State of World Population Report launched in Lagos on 27/6/07 indicates an infant mortality of 109 per 1000 [15th in Africa]; and life expectancy of 43.9 years for men and 44.1 for women for Nigeria. This compares unfavourably with global infant mortality average of 7 per 1000, male life expectancy of 64.2 years and 68.6 for females.[UNFPA,2007]

By geopolitical zones in Nigeria, whereas the North-east was the poorest in 1985/86 (53% of its population) the South-East and South-South have taken over in 1997 (with 79.5 and 78.6% of their peoples). The zone that witnessed the most reversal was South East where the percentage of the poor moved from 30.9 (1985/6) to 79.5 (1997) (CBN, 1999:95). Official records also indicate that our Human Development Index has remained static at .4 since 1997. The figures analyzed above however indicate that the H.D.I should actually have fallen very significantly in the past few years.

Why Are We Poor?

What really account for the high level of poverty in Nigeria? Globally, poverty is caused by war, conflicts, natural disasters, political instability, macroeconomic crises and of late, the various forms of structural adjustment programmes, which distressed economies (mostly LDCs) had to undergo on the advice of or in consultation with the Bretton Woods Group. In Nigeria, all these factors are significant. The civil war of 1967 – 70 created its own group of poor people. We have not had much of natural disasters but there have been desert encroachment and draught in the north, erosion in the South-East and occasional incidents of flooding especially in the riverine areas. All these have created new generations of the poor.

But these cannot adequately justify the high level of poverty in the land. One of the key factors in the Nigerian poverty equation is the paradoxical concept of Government-policy-induced poverty. The Nigerian Government at various tiers and at various times had undertaken policies and actions that tended to impoverish its citizens. These actions may have been taken in pursuit of good intentions but the way they were executed created more problems. Some of such government policies and actions that tended to exacerbate poverty include:

- The government at a time banned the importation of cars older than 5 years, second hand fridges and air-conditioners. It also introduced the 100% inspection policy and moved from pre-shipment to destination inspection; banned importation of poultry and used cars through land borders and in 2004 alone banned more than 40 general items. The IMF in its Country Report,05/303, of August 2005, made reference to these policies as a *punitive trade regime*. Obviously, these actions threw many people into the poverty bracket.

- Economic Policies: S.A.P and its various fallouts in forms of massive devaluation, high inflation and factory closures. The recent wave of privatization, commercialization, appropriate pricing of petroleum products and unlimited free market tendencies also in various ways contributed to the poverty situation in the country.

- The various communal, religious and political conflicts, which have degenerated into large scale destruction of properties and dislocation of people and businesses.

- The oil boom which led to the rural-urban migration, neglect of agriculture and "money-is-no-problem" mentality in public finance management.

> The World Bank Investment Climate Survey reveals that about 97% of Nigerian firms operated their own generators[as against 22% in 54 other countries surveyed]; generators accounted for 22% of firms' investments while outages led to loss of 85-90 working days, equivalent to 15% of annual sales.

- Systematic looting of the treasury by officials of successive governments, which climaxed during the military regimes. Over $4billion is estimated to have been looted during the days of Abacha alone. Although this trend has abated, it still manifests as variants of graft at various levels of government.

- Unemployment, which is caused by a myriad of factors including macro-economic instability, and the collapse of the educational system, which increases the number of unemployed and unemployable persons. We also have an unfortunate situation where economic reforms have been simplistically reduced to mass retrenchments [Agbaje, 2007:16] and hasty privatizations which lead to further retrenchments.

- The structure of government spending, which has over the years moved further away from social services. Government expenditure on social services nose-dived from 24.2% in 1980 to 3.4% in 1999 while personnel and overhead costs now account for about 80%.

- The petroleum-pricing regime has created its own poverty impact in Nigeria. The price of fuel has been adjusted upwards eight times since 1999 from N20 to N70 per litre at present. This has created a strangulating inflationary spiral that has increased the cost of living and reduced the standard of living.

- Harsh Business Environment: Our industries and businesses have not faired well in recent years. They are therefore not able to generate employment and create wealth. Capacity utilization has not been up to 50% in recent years. The problems plaguing our industries include poor infrastructure, high cost of operations, policy instability, multiplicity of regulation and regulators, multiple taxes, unfair competition from imports (dumped, *tokunbo* and all that) and increasingly declining effective demand. The World Bank Investment Climate Survey reveals that about 97% of Nigerian firms operated their own generators[as against 22% in 54 other countries surveyed]; generators accounted for 22% of firms' investments while outages led to loss of 85-90 working days, equivalent to 15% of annual sales.

In the World Bank 4th **Ease of Doing Business** report for 2007, Nigeria ranked 108 out of 179 countries in 2006 [It was 94 out of 155 countries in 2005]. Because the private sector creates jobs and pays taxes, policies that harm that sector worsen the poverty situation. Factors that influence the business environment include the rule of law, property rights, level of economic development and efficiency of government services [**(Pfeffermann 2001, 42).** These are of course not at their optimal levels in Nigeria. A World Bank report based on a survey of 10,000 firms in the LDCs between 1999 and 2000 revealed that they encounter problems from taxes, regulations, finance, inflation, corruption, exchange rate, and crimes.

An Overview Of Government Efforts

The goal of all economic and other public policies is the overall wellbeing of the people. Government at different times and fora had reiterated its resolve to eradicate or minimize poverty. The Magnus Kpakol authored 'Framework for Economic Growth and Development', stated that "the rate and extent of poverty worsened over the last several years. A decisive, consistent and sustained attack is being put in place to contain poverty which has become well entrenched in the country". The document, however blamed poverty on "population growth, which exceeded GDP growth rate for so long". The NEEDS document also emphasized poverty eradication. In pursuit of these objectives the Federal Government has over the years undertaken various direct and indirect measures (interventions) to tackle poverty in the land.

Some of these programmes and initiatives included the Directorate for Foods, Roads and Rural Infrastructure, the National Directorate of Employment, the Oil Mineral Producing Areas Development Commission (OMPADEC) together with its successor the Niger Delta Development Commission, the Mass Transit Scheme, Petroleum Trust Fund, the Better Life, Family Support and Family Economic Advancement Programmes (and their state variants), the Peoples Bank of Nigeria, the Community Banking System and National Poverty Eradication Programme (NAPEP). NAPEP was set up in 2001 to coordinate and monitor poverty eradication efforts in the country. This is to ensure that Nigerians are provided with steady sources of income, high purchasing power, quality education, water, healthcare, and housing; stable and affordable power supply, and communication facilities amongst others. NAPEP identifies three major challenges facing the poor in Nigeria as lack of access to capital, information and stable markets and has gone ahead to design several programmes to address them. These include the:

- Multi Partner Matching Funds Scheme,
- General Micro Credit,
- Farmers' Empowerment Programme,
- Capacity Acquisition and Enhancement,
- Private Sector Partnership,
- Keke NAPEP,

> The Government should be involved in human, infrastructure, institutional, natural and knowledge capital while the private sector-including individuals- should be involved in business and knowledge capital and complement government efforts in other spheres.

- The Promise Keeper Programme and
- The Community Economic Sensitisation Scheme. [Kpakol,2006:11]

Over the years, poverty alleviation projects/ programmes had achieved less than optimal results for a number of reasons, including:

- Lack of coordination and commitment. It is usual for poverty eradication schemes to construct kiosks for the poor while the environmental authorities would demolish the kiosks for constituting environmental nuisance . Furthermore, even if there was horizontal coordination [amongst federal ministries and agencies, however poor], there was no evidence of vertical coordination amongst the various tiers of government, with each tier doing its own thing to maximize the derivable political capital.

- Lack of continuity

- Improper appreciation of the roots and magnitude of the problem.

- Poor funding. The Federal Government could only afford N2billion for the Multi Partner Matching Funds Scheme while NAPEP has committed only N1billion for its general micro-credit scheme.

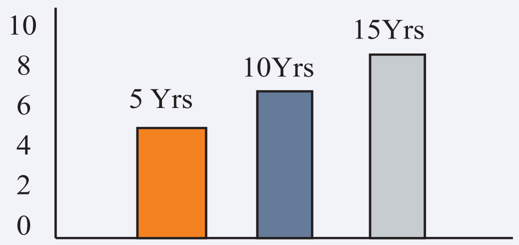
- Policy inconsistency: the petroleum pricing regimes, the retrenchments in the civil service, the demolition of property across the country-especially Lagos and Abuja- could not have been consistent with wealth generation, job creation and poverty eradication. Instead, such policies push more people below the poverty line.

- The infrastructural fundamentals-especially electricity- and roads are woefully deficient and diminish the impact of whatever efforts the government may be making towards poverty eradication.

- Corruption: The misappropriation/embezzlement of funds budgeted for projects geared towards poverty alleviation and improving the peoples' standard of living.

Fig. I

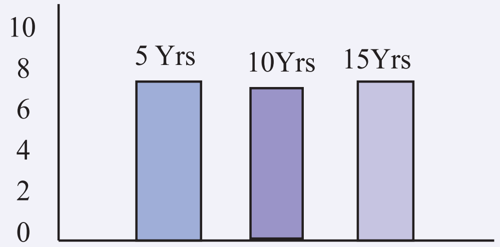
% Reduction In Poverty Headcount Ratio Attributable to Increasing Education Spending By 1% GDP in 5, 10 & 15 Years



Source: ***Baldacci, et al[2005] What Does It Take To Help The Poor. Finance & Development, June,p23***

Fig. II

% Reduction In Poverty Headcount Ratio Attributable to Improving Governance To Above The World Average in 5, 10 & 15 Years



Source: ***Baldacci, et al[2005] What Does It Take To Help The Poor. Finance & Development, June, p. 23***

Policy Imperatives

It has become imperative that all arrangements towards poverty alleviation/eradication must go beyond lip service. In fact, the new impetus should be properly conceptualized, well funded, managed and coordinated programme of action to reduce poverty in the land. This will involves generally increasing the available resources, ensuring that the resources are equitably distributed and increasing the proportion that actually gets to the poor. It will also require the government-at all tiers- to always undertake "poverty impact assessment" on all its programmes, genuinely seeking and encouraging the partnership of the private sector in the onerous task of wealth creation and poverty eradication. The effort should not just be geared at the general level of poverty but also at reducing the level of inequality in the land. In this regard, some policy options would include the following:

Making The Appropriate Investments

Poverty cannot be reduced if the capital required to make meaningful investments is not available to a broad segment of the society. The extremely poor actually lack six types of capital: human capital,[health, nutrition and skills], business capital,[machinery], infrastructure,[road, power], natural capital[arable land, healthy soils, biodiversity]; public institutional capital[commercial law, judicial system, government services] and knowledge capital[scientific and technological know-how]. The Government should be involved in human, infrastructure, institutional, natural and knowledge capital while the private sector-including individuals- should be involved in business and knowledge capital and complement government efforts in other spheres [Sachs,2005:251;Anya,2004:9]

Government should get involved in these investments because of the increasing returns to scales, the externalities, the non-rivalry properties, because some of these investments are seen as fundamental human rights [eg education] and most important, because social investments are sure avenues for rescuing the poor from their unenviable situation. A study by Bhattacharya & Clements [2004:48], underscores the positive relationship between productive public investment and economic development which leads to enhancement in the general standard of living.

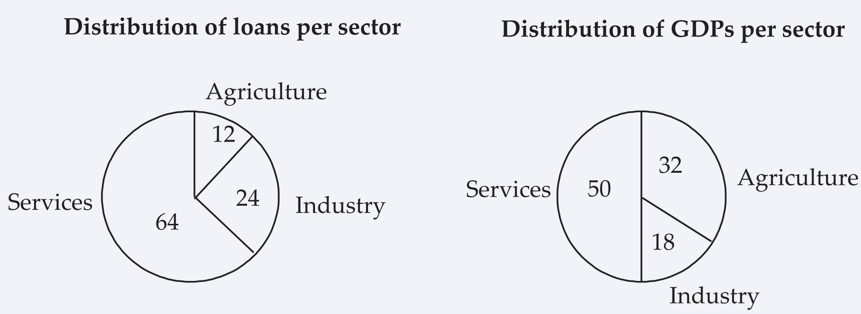
Several studies have also shown that improved investment in human capital [health and education] accelerates growth and development and reduces poverty. Education is empowering and makes people to access and assess opportunities; facilitates technical progress and efficient productive activities leading to high per capita income, better living standards and the elimination of mass poverty. A healthy person is more productive and can devote more time to productive activities.[Ibironke,2005:24; Columbe et al, 20041; Bloom & Sevilla, 2004:1]. Using data from 120 developing countries for 1975-2000, Baldacci et al found that educational and health capital contribute to output growth, that health and educational capital are interrelated, that higher income levels and greater human capital reinforce each other and that governance has a direct impact on the links between social spending and social indicators. For instance, increase in education spending of 1% of GDP leads cumulatively to 17% reduction in initial poverty headcount within 15 years. A similar scenario goes for improvement in governance. [see Figures II &III]. Investment in education should not be limited to buildings but to polices, programmes, curriculum enrichment, subsidising the poor, teaching and research. Emphasis should also be placed on functional education, mass literacy and ICT which empowers, widens opportunities and choices, and facilitates interaction between the government and the governed.

Labour intensive approach to economic projects should be encouraged [some form of direct-labour may be necessary]. This gives the poor an opportunity to use that which they have in abundance [labour] while the complementary investment in education increases their capacity to take advantage of newly created possibilities and opportunities. [Odeyale,2005:15].

A Paradigm Shift

It is important to re-emphasise these investments because our policy orientation over the years, even before the advent of the recent bank consolidation was focused on anything but productive public investment. It has been all about minimal public sector investment; about privatization, commercialization, deregulation, liberalization, subsidy annihilation and appropriate petroleum products pricing. Roads and bridges must be constructed on Build, Operate & Transfer [BOT] basis; refuse must be cleared on the basis of private-public partnership; NEPA must be unbundled [after it had literally sucked the nation's purse dry] and sold to those who bought the rest of privatized enterprises; people must pay appropriate prices for every thing from bed-spaces in overcrowded university hostels to health. The government can only take care of about 10% of those who need antiretroviral drugs and citizens suffering from kidney, liver or heart ailments have no option than to beg for public donations. Government owned universities are in a shocking state of decay while private ones [owned by the same people] are being licensed, encouraged and applauded. We had a parting gift of fuel price hike from the immediate past administration with its concomitant crippling industrial crisis.

Fig. III



Source: ***Christensen et al [2006] Bankable assets, Finance & Development, December, p19***

On many instances, government would rather demolish houses than build new ones; eject those living in Government houses so as to sell the same houses to other Nigerians; and sack several thousands of Nigerians as a way of creating employment, generating wealth and reducing poverty! And while all this is happening, we gladly report astounding GDP growths and other wholesome socio-economic indicators [Muo,2005:16.]. A new mindset is thus needed if we can make any impact on the poverty situation.

Of course, it is just not a matter of making the investments, the issue of corruption has to be squarely dealt with-and without fear or favour so as to ensure value for money. Corruption depletes the funds available for investment, leads to sub-optimal allocation of what is available, increases the misery index of Nigerians, widens the gap between the rich and the poor and makes it impossible for Nigerians to experience the core values and objectives of development [Muo & Muo,2006:97]. We do not need any evidence to prove that without stable and affordable power supply, all efforts at poverty alleviation will come to naught. Over the years, Nigeria has invested massively in power generation but largely because of corruption, an estimated

N1.7trillion invested in the sector from 1999-2007 did not yield much.

Business Capital Formation: The Role Of Micro Finance Institutions

Apart from direct investment in social capital [basic health, education] and infrastructure, the government should also facilitate the availability of finance for business capital for the poor who are crowded out from the facilities of conventional banks. Government direct involvement has not been successful and as such, indirect involvement through conventional banks and support for micro finance institutions would go a long way in pulling the poor out of the poverty trap.

Available statistics indicate that conventional bank lending is unfavourably skewed against the poor most of whom are rural based and are engaged in agriculture. As at 2007, while agriculture accounts for 32% of African GDP, it receives only 12% of bank loans [see figure IV]. It is also obvious that the number of people served and that can be served by Micro Finance Institutions is insignificant as at now. This is not however a Nigeria-only phenomenon as the average rate of patronage for micro finance institutions in Africa is 2% [Christensen, 2006: 19; Classens,2005:1]

Micro Finance Institutions are expected to serve small and micro entrepreneurs whose income is not beyond the minimum wage; who have assets of less than N500,000; who are not in regular employment and are between 18 and 60 years. Each is entitled to a maximum of N500,000, unsecured loan and which is repayable within a maximum of 12 months [CBN,2005 :3]. As at 10/5/07, only 14 MFBs have been granted full operating license [10 new operators and 4 converted community banks] [Diamond Bank,2007:22]. This number is surely inadequate for a country of 140 million. Efforts should be made to facilitate the conversion of community banks [about 800 registered as at 2005] to MFBs, and the licensing of fresh ones and the development of a framework for the facilitation of loans to poor borrowers-by granting funds for on-lending or subsidizing the losses likely to arise from the unsecured facilities. Conventional banks may be encouraged to channel their SMEEIS funds through the MFBs subject to adequate safeguards. Awareness creation is also very imperative.

> We do not need any evidence to prove that without stable and affordable power supply, all efforts at poverty alleviation will come to naught.

Pro-Poor Budgeting

Not much can be achieved in the realms of poverty eradication unless we totally reengineer our budgetary process to make it **pro-poor.** This involves:

- Installing an efficient, effective and transparent budgetary process. There should be value-for-money budgeting while details of all projects, their values and their contractors/suppliers should be published.
- Concentrating on priority projects that focus on poverty eradication and the overall national interest.
- Ensuring that funds are released appropriately, that budgets are executed and that failure to do so is punished.
- Increasing the allocation to social services and projects in poor neighbourhoods.
- Giving the poor a voice in the budgetary process and ownership of developmental projects.
- Demanding accountability from public office holders [Muo, 2004:5]

Intervening In The Operations Of The Free Market

The government must think more than twice in its franatic pursuit of free market policies. Even the World Bank has admitted that SAP and related policies have some inherent weaknesses. Armatya Sen, the 1996 Nobel Price winner in Economics gives this advice:

Markets give people freedom to exchange goods. There is no reason to prohibit market transactions any more than there is for prohibiting conversations. This freedom is one justification for markets. But perhaps more important, much of the world's prosperity is directly linked to the good results of economic exchange and interrelations. However the market is just one institution among many. It needs to be accompanied by democracy, a free press, and social opportunities that give people the freedom to read and write, lead reasonably healthy lives and have access to credit. If you are sick half the time, and illiterate, you cannot *participate in the economy and if you cannot obtain credit, you cannot be the entrepreneur you might have been. Moreover the market economy is closely linked with a business ethic. Self interest gives people the reason to enter the market but without trust, the market wont function properly [Finance & Development, September 2004,p7]*

Professor Adebayo Adedeji [former CEO, Economic Commission for Africa] states emphatically that 'the finding of our study is that SAP is not working. It is not leading to sustainable development. Rather it is rending the fabric of African society and marginalizing the very people on whom development develops. What is worse, it is leading to the transfer of our economic policy formulation to Bretton Woods experts, young men and women who know very little about our problems and have themselves never held any responsible posts in their own countries'. Sachs agrees, emphasizing that without appropriate pre-requisites [basic infrastructure & human capital] market forces cruelly bypass large parts of the world, leaving them impoverished and suffering without respite [2005:5].

Whereas a lot has been written and spoken about the macro-economic wonders wrought by NEEDS, an aspect of it that was totally ignored and underplayed was the issue of social charter. Much was not achieved in cushioning the pains resulting from the implementation of the reforms. And while macro issues are important, life is usually lived at the micro level! As NEEDS 2 is coming on board- and nobody is against reforms- efforts most be made to give it a human face. Market forces are not human; they need to be moderated by human beings because the forces are impacting-for good and for bad-on human beings.

Poverty Impact Assessment

The government should initiate Poverty Impact Assessment as a prelude to its social, economic and political programmes. Since one of the major causes of poverty in Nigeria is government action, it is imperative that the government assesses the impact of any of its policies on the poverty level before deciding whether such a policy is worth pursuing. The essence of development is the people's well-being and this can be measured by the level of poverty. Programmes and policies that may lead to other objectives but have the tendency to increase the level of poverty should be reassessed and alternative approaches adopted. In making this assessment, efforts should also be made to ensure that the policies, programmes and projects are are mutually reinforcing and that they are consistent with NEEDS, NEPAD initiative and the Millennium Development Goals.

Job Creation

Serious efforts are to be made in job creation so as to put even retrenched people back to work. Entrepreneurship orientation should also be encouraged so that more people create jobs instead of looking for jobs. The economy must be in the right shape for this to happen and getting our priorities right is a sine qua non for that. Joblessness is not only an economic issue. It is also social and psychological and as Thomas Caplyle said "A man who is willing to work but is unable to find work is perhaps one the saddest sight that fortune's irregularity exhibits under the sun". It has earlier been mentioned that adopting a labour-friendly approach to projects and programmes may be the way out.

...the finding of our study is that SAP is not working. It is not leading to sustainable development. Rather it is rendering the fabric of African society and marginalizing the very people on whom development develops.

Infrastructure

Our infrastructure should work. Government should hands-off pure business undertakings, enhance competition and create a conducive environment for the private sector to provide those essentials of life. If our light, telecoms and transport systems do not improve, there is no way we can successfully fight poverty. And whenever we decide to deregulate, we should do as it should be done-not the type of macabre dance in the oil industry. Government cannot be sharing money and tricycles to a few, favoured, people [who may not even be poor] and

hope to reduce poverty thereby, if medical facilities, safe drinking water and educational opportunities are not sufficiently available. Unfortunately, whenever government provides facilities for the poor, they are either not affordable to the poor [like most so-called low cost houses] or they are cornered by those who are already well off.

Benchmarking

Government should also benchmark its efforts with global standards. It should always evaluate its programmes by how they contribute towards promotion of opportunities, facilitation of empowerment and provision of security. But in measuring the success or otherwise of these programmes, we should look outwards and apply the standard of others rather than competing against ourselves!

A Role For The Private Sector

"The poor cannot sleep because they are hungry and the rich cannot sleep because the poor are awake"

The private sector must be involved. The business community has every reason to be concerned about the poverty scourge. Being a part of the society, whatever afflicts the society affects them; when the majority are poor, the demand for goods and services is adversely affected; poverty adversely affects the well being of their staff and this has negative consequences for productivity, motivation and industrial relations. When the poor vent their anger on the society-which is very often- business interests bear a greater proportion of the brunt. Business organizations should therefore get involved; they suffer the consequences of poverty and have invaluable roles to play in any meaningful anti-poverty agenda. Effective management of resources, socially responsible intervention in poverty related issues including skills acquisition and direct job creation efforts are recommended. But the government must create a conducive environment, and this it can only do by first of all governing well. [Muo,2005:6]

Some Roles For The Poor

We have to agree with Nnamani (former Governor of Enugu State)[2003a:15] that: "The days are gone when we saw poverty as curses upon men… that those who are poor are rejected by their God .We have to face the reality of our time that poverty is an incident inflicted on man by social disruptions, economic maladjustment, bad policies of government, wrong prioritization by government and individuals alike, wrong perception, ignorance and such limiting factors as underrating ones capabilities." It thus behooves the individual to play a set of critical roles to lift himself out of poverty. He is inside a valley and the Government and other stakeholders are making efforts to

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throw in a life-line. He has to be alert and watch out for the lifeline, hold it firmly, follow any instructions that may be given and take his own initiatives to come out of the abyss. The individual should therefore:

1] Be aware of his poverty status and be willing to make efforts to improve the situation; he should not surrender himself to fate.
2] Search for opportunities for wealth creation; and be entrepreneurial
3] Seize the opportunities being offered by the government, the private sector and local/international NGOs. The various options and packages being provided by the Government would not yield any fruit if the individual fails to take steps to utilise these opportunities
4] He should equip himself adequately to identify and appropriately exploit opportunities.

Conclusion

It is generally believed that the level of poverty in the land is quite high and that it is still increasing. Government however argues that the poverty level in Nigeria has fallen from a very high level to about 54%, and that it is still falling. Even if this were so, it is still far from being tolerable. More concerted and coordinated efforts still need to be directed at poverty reduction. The government plays the major role but the private sector, other stakeholders and the individuals also have their own parts to play. Furthermore, we cannot win the war against poverty without winning the war against corruption and infrastructure decay. And in all this, Government has a very critical role to play; in fact, much depends on what it does, what it fails to do and how it does what it ends up doing.

And the greatest challenge is corruption; corruption that is so pervasive and deep rooted. There is no way we can escape from the poverty trap if the level of corruption is allowed to remain high. Furthermore, there must be effective coordination-both vertically and horizontally-[tiers, levels and arms of government] so that all activities, projects and programmes complement each other. The high cost of running the government as well as poor quality of political and economic governance must also be adequately tackled. The war against poverty is a political, economic, social, moral and spiritual one. It is an enormous challenge and it appears that President Yar'Adua, is conscious of the enormity of the poverty challenge. Poverty alleviation is a specific priority in his campaign promises while he has indicated that he would fight corruption by example as indicated by his recent open declaration of assets. Furthermore, the resources are there. Statistics show that while Nigeria grossed N2.1trillion between 1991 and 1998, it grossed N19trillion between 1999 and 2005 and the figure has kept on rising. The will is there and the resources are there. If they are carefully husbanded and channeled towards the holy war against poverty through the appropriate policy basket, we will have a better story to tell in a few years to come.

But there is one final caveat. Efforts must be made to ensure that programmes designed to assist the poor are actually delivered to the poor. Instances abound when subsidized products and services end up in the hands of those who are well off and who are connected. It is a widespread problem. A World Bank study of more than 20 countries in Africa, Asia and Latin America found that services aimed at the disadvantaged usually end up reaching people in better-off groups more frequently. Specifically, the richest 20% received more or as much as the governments' subsidized maternal and child healthcare services than the poorest 20% [World Bank,2005]

We conclude with this evergreen statement by one of America's greatest presidents that:

The true test of our progress is not how much we add to the abundance of those who already have much but how well we are able to make better the lives of those who have little—President F D Roosevelt,1937 Inaugural Address.

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Manufacturing: Way out of the Precipice

* By Dr. 'Biodun Adedipe

The Nigerian economy has undergone series of changes in policies, government actors, players, drivers and performance over the years since the country attained political independence in 1960. Policy shifts have come at various times, either because they were expedient or someone just wanted to experiment about what s/he thought had worked elsewhere. A number of times, policies had been labeled as "home grown" only to turn out eventually as part of a global agenda that had its international and local beneficiaries who in the event defended the policies vehemently, in spite of obvious flaws or inconsistencies with Nigerian peculiarities.

Key government functionaries also came and went, each with their individual agenda and ideas that either had the colouration of self-interests or ill-advised attempt to leave a footprint! The major players in the economy also changed along with the policy pronouncements and what the policy-makers wanted to achieve, which left little or no legacy institutions or organizations that endured over the decades, except the multinationals that had strong economic interests in Nigeria. Rather unfortunately, at some points, economic policies were used to fight political battles. In the past, foreign investors were excluded in an attempt to further the national interest, while in more

recent times, the focus has shifted to aggressive courting of foreign investors to come join with Nigerians to develop the economy.

In particular, manufacturing had been at the receiving end of these inconsistencies and lack of (or inefficient) infrastructure. Even the industrial policy had no clear and sustainable focus. In the early sixties, the attempt was import substitution, in the thinking that Nigeria would not need to depend so much on the rest of the world for manufactures. This was discovered to be flawed because there was no attempt to specialize along the line of international competitiveness and dependency. Nationalization and liberalization followed, including shift of attention to assemblages, especially of automobiles in the seventies. The original intention of backward integration into local supply of parts eventually failed because the fundamentals were not right, and also inconsistency across governments' fiscal policy/operations, monetary policy implementation and commercial policy/activities.

The "major damage", some school of thought has argued, came with the implementation of Structural Adjustment Programme (SAP) in 1986, which saw a massive devaluation of the Naira and increased astronomically the cost of imports. Designed to activate and drive exports, the policy ignored the high dependency of domestic manufacturing on importation of raw materials, intermediate inputs, capital goods and spare parts. As well, inflation spiraled and the effect on the cost of doing business went out of control. That indeed, was the beginning of the decimation of the Nigerian manufacturing industry. Even the tariff review exercise of 1987, as well intentioned as it sounded then, was lame because it ignored (or paid little attention to) the Nigerian preference for imported items vis-à-vis domestic manufactures. To start with, the average Nigerian considers imports to be of higher quality than local manufactures, and finds further excuse in the little price differential between them – and at times, the Nigerian unit is more expensive! Further work on the tariff structure in the mid-1990s to 2001 worsened the situation by systematically reducing protection for domestic manufacturing.

The crafting of an industrial policy in 1988 and its subsequent launch did not bring any succour to Nigerian manufacturing. Its fortunes continued to dwindle, leading to destruction of jobs and wealth (rather than creation), turning Nigeria effectively into a dumping ground for all conceivable manufactured products from the rest of the world.

The 1990s was a period of political unease that also had many policy initiatives and damaging reversals that further weakened manufacturing and new investments, being long-term in nature. The reform agenda of the period from 2003 to date, though well intentioned, did not pay any special attention to manufacturing – the only promise it holds is that a number of the problems addressed would be beneficial to domestic manufacturers.

The sectoral strategies for manufacturing contained in the National Economic Empowerment and Development Strategy (NEEDS) on pages 70 to 72 of the document were designed to achieve:

1. Annual sectoral growth of 7%
2. Increase capacity utilization to 70% by 2007
3. Increase private sector share of investments in the sector to 70% by 2007

With the exception of item 3 perhaps, Nigeria failed to achieve the other two.

It is obvious from the developments of the last four and half decades that little attention was paid to linkages. In the economic reforms agenda of the erstwhile administration of President Obasanjo there seemed to be no concrete plan for the manufacturing sector, simply because, again as in the past, all of the items on the agenda were pulled out from what has come to be labeled as the "Washington Consensus". They all together tend to emphasize open economy and globalization. Ironically, there have been occasions in the past that the strong proponents of open economy had selectively protected their manufacturing industries (or sectors and even sub-sectors of it) against aggressive competition from the rest of the world. This perhaps explains why reforms in Nigeria had emphasized all other sectors more than manufacturing.

The argument has been made that no two rich nations went through the same route to achieve economic prosperity. It would be foolhardy of Nigeria and her policy makers to think the country would ever emerge as a world economic power without adequate attention on manufacturing. So far, reforms have been most far-reaching in the financial sector, while maritime, aviation and selected others have had their own share of the reform attention,

largely because of their problems that appeared intractable.

The rest of this paper will examine the sequence of issues that will lead to an action plan for rejuvenation of Nigerian manufacturing.

A CASE FOR MANUFACTURING

A review of the list of rich nations today and the emerging strong ones makes it immediately obvious that manufacturing is important to growth and development. Each of these nations has strong manufacturing base, which itself is sustained by their clamour for globalization. Right from the United States of America (US) to Italy, Germany, Britain, Canada, France and Japan to Russia, Brazil, India and

China, they all have strong manufacturing sectors, irrespective of their resource endowment. As well, each of them has well developed agriculture and service sectors, striking a solid balance between production and consumption to create advantage for domestic economic actors.

While the US has a huge consuming population to drive business and growth, it has also an efficient agricultural sector that produces enough for domestic consumption and feeds a number of its factories as well as the rest of the world. Its service sector is unarguably one of the most sophisticated in the world. In spite of all these, the US does not joke with its manufacturing sector. Any external threat is combated fiercely, and might even require jettisoning (if only temporarily) its commitment to free trade. It recognizes the implications of closed factories:

- Job losses
- Disruptions or outright liquidation of ancillary businesses
- Destruction of wealth – of the owners of such enterprises
- Reduction in government revenue, through tax losses on retrenched individuals, the owners (withholding tax on dividends) and corporate income tax
- Dampened innovation and creativity initiatives
- Disruption to family life and possible adverse effect on the local economy

Specialization along the line of resource endowment has also proved a fallacy by the experience of a number of nations including Japan. Though strong in manufacturing, Japan has no particular comparative advantage on grounds of domestic natural resource, as she imports most of the inputs into her manufacturing process. Equally, it does not have a huge population that can absorb the potential output of an efficient manufacturing that was envisaged by the founding fathers of modern Japan. The focus was tightly defined as "Manufacturing Export" and high value-added – simply put, serve the world market. This contrasts with Nigeria, where mention of export (unfortunately till date) is often of agricultural produce, extractives and the most basic of modern society needs! This implies a perpetual relegation to low value-added and limited chances of wealth creation. Such environment also stifles creativity and innovation.

If the BRIC economies (Brazil, Russia, India and China) are examined for the source of their economic strength and why they can become a real threat to the position of the G7 as the wealthiest nations in another 35 years, it is simply their manufacturing. Brazil is perhaps most interesting among them because she has a number of similarities with Nigeria – reforms (since 1994), population (about 180 million and youthful as well), large land mass and conducive for agriculture, high interest rates (about 16% p.a.), tamed inflation (single-digit rates, brought down from the dizzying height of 30% per month to around 6% annual rate), high and worrisome unemployment, bank consolidation, and once highly indebted. The significant difference between Brazil and Nigeria is in manufacturing – very weak in Nigeria, but one of the driving forces of growth in Brazil, along with large-scale and developed agriculture, mining and services sectors.

China also has a strong and well-diversified manufacturing sector, which produces for its domestic market (and that is quite huge, as the country with the largest population in the world – about 1.3 billion, and one that is fast growing richer – 23% of population moved from poverty line to low income and some migration to middle class as well in the last ten years). The country also has a stronger vision for the world market than for the domestic market. One of the greatest strengths of Chinese manufacturing is perhaps its backward integration. The huge manufacturing enterprises do not attempt to produce their finished

products all by themselves, end-to-end. Rather, they engage micro producers to take different components of their finished products, specify the quality standards, and empower them either with equipment or financially, or with both. Thus, their markets are assured and the wherewithal to produce has been provided. Mass production can then be done at the micro level, creating opportunity for creativity and innovation that lift efficiency and result in cost reduction – not to mention the various other benefits. This linkage is between the following:

- Producer, which is the micro, cottage-based enterprise
- The user, which is the big manufacturer that assembles and holds the patent for the finished product
- The financier, which is the financial institution that is eager to finance the manufacturer or readily accepts the guarantee of the big manufacturer
- The government that provides an environment that is conducive for business to thrive
- It is a whole chain of responsibility for the growth of the domestic economic.

Using recent macroeconomic data provided by the Central Bank of Nigeria (CBN), a strong correlation was found between growth of industrial activities (98.52%) and growth of gross domestic product (GDP). The correlation was weaker with agriculture (45%) and indeed negative with services (-99%), as shown in Chart 1 and Table 1.

Chart 1

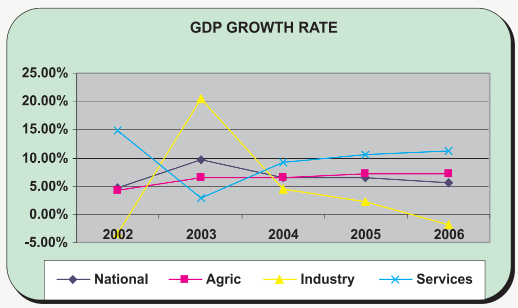


Table 1

GDP Growth Rate					
	2002	2003	2004	2005	2006
National	4.60%	9.60%	6.60%	6.50%	5.60%
Agric	4.20%	6.60%	6.50%	7.10%	7.20%
Industry	-3.40%	20.60%	4.40%	2.20%	-1.90%
Services	14.80%	2.80%	9.20%	10.50%	11.20%
Notes:					
_1/ Industry includes Building & Construction					
_2/ Services include Wholesale and Retail services					

Source: Central Bank of Nigeria, annual report 2006

Clearly, one of the sure ways to fast economic growth is to leverage on a strong manufacturing sector. The challenge is that of figuring out what the focus should be on, what needs to be done and who should do what?

JOURNEY SO FAR

The story of Nigerian manufacturing can be told from two perspectives – official (i.e. government) and operator (the manufacturer). The official statistics on manufacturing have always indicated improvement at times of obvious shrinkage or stagnation, and indicated stagnation when really the industry has shrunk. This is also based simply on capacity utilization as an omnibus measure of performance, which can hide a lot of things and be subject to easy manipulation.

A quick review of the index of manufacturing production, as compiled by the National Bureau of Statistics and the Central Bank of Nigeria (CBN), show the weakening state of manufacturing in Nigeria over the period 1970 to 2005. Taking this in four sub-periods and a particular four-year period that was distinguished, the data summarizes as follows in Table 2, while Chart 2 shows the trend over the entire period.

The improvement of 146.6% during 1981-1990 compared to 1970-1980 indicated that certain things were done right and motivated manufacturing growth. In particular, 1989 to 1992 was outstanding (index averaging 169.8 points), representing the period of manufacturing-friendly policies, while the subsequent spate of policy reversals (including political) dampened interest in new investments in manufacturing. By then also, it was becoming difficult for manufacturing enterprises to replace their aging plant and machinery, as the Naira had depreciated by 88.3% over the period from 1986 to 1992 – a World Bank survey report that relied on firm-level data from Nigerian manufacturing to mirror the private sector in 2002 placed the age range of machines and equipment in Nigerian manufacturing between 10 to 20 years!

There was dampening in manufacturing activities between 2000-2005 for two possible reasons. One was that the Obasanjo presidency was only settling down and preoccupied with, "we are in the learning process". The second term also ushered in an economic team whose primary preoccupation was essentially the settlement of Nigeria's external debt and adoption of the Washington Consensus. Again, manufacturing was not treated as deserving attention that will strengthen its linkage with the rest of the economy.

Unfortunately, reference to the real sector in Nigeria goes far beyond manufacturing – the CBN defines it to include mining, electricity generation/consumption, transportation and communication! As such, real sector performance (at least, officially) subsumes manufacturing under the performance of the strong mining and communication sectors. The real sector would then appear to get the necessary funding attention, whereas the most fundamental of them all (manufacturing) lacks access to affordable funds.

Chart 2 shows the trend with index of manufacturing production over the 36-year period from 1970 to 2005, recording spikes in 1982 and 1985, and the peak in 1992. Since then, the index has been under 150, meaning that manufacturing improvement in Nigeria over the 20-year period from 1985 to 2005 was a mere 50% for a growing population with huge consuming appetite! This consumption energy thus went (perhaps wasted) on imported finished products mainly.

The capacity utilization statistics are not an encouragement either. In more recent years, the utilization had been below 50%, as there was increasing number of factory closures. Although the argument had been made that the capacity utilization figures submitted by manufacturers are dubious, given the cost of doing business in Nigeria and the peculiar problems of the sector. These problems should have made the entire sector to collapse long before now. Another view recognizes the ingenuity and doggedness of the average Nigerian – that survival instinct that produces unexpected results in the face of deep adversity. Running at less than 40% for most of the 1990s and early 2000s, and yet surviving is an indication of a resilience that, if supported with the right policy cocktail, should lift the Nigerian economy quickly. The 2001 survey by the World Bank had evidence of improved efficiency. Chart 3 presents the official statistics provided by the CBN, suggesting that the actual capacity utilization might be lower.

The picture however, gets clearer in the review of manufacturing capacity utilization over the last five years, as shown in Chart 4. The lack of special attention to manufacturing in the era of widespread sectoral reforms shows in the figures sourced from the 2006 annual report of the Central Bank of Nigeria.

It should be more useful to track manufacturing performance the way the Brazilians do, whereby the National Industry Confederation

Chart 2

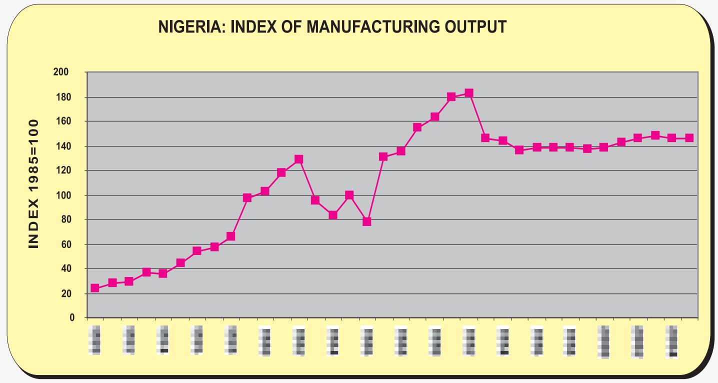


Table 2

Index of Manufacturing Production		
(1985=100)		
Period	Index	Growth
1970-1980	52.2	n.a.
1981-1990	128.8	146.6%
1991-2000	164.1	27.4%
2001-2005	144.5	-12.0%
1989-1992	**169.8**	

Source: Statistical Bulletin, Central Bank of Nigeria,Volume 16, December 2005

Chart 3

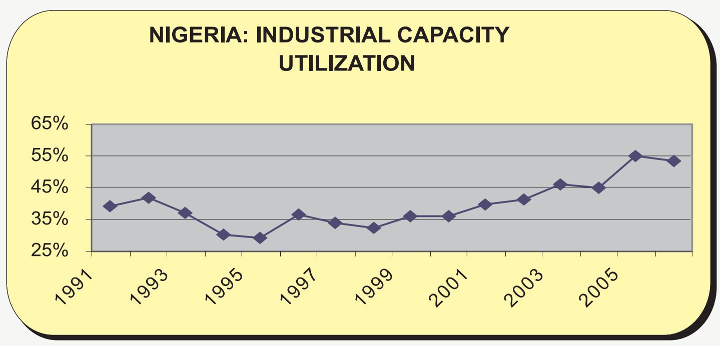
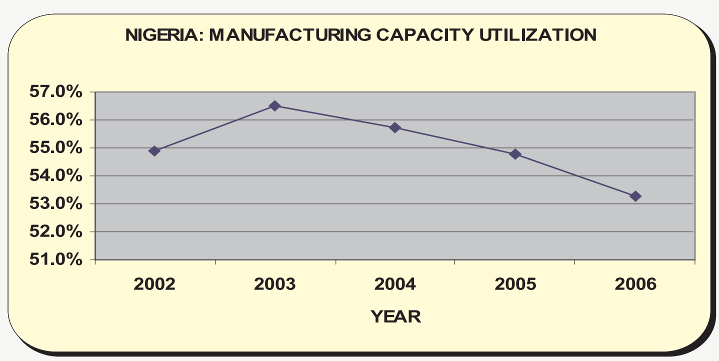


Chart 4



(CNI), uses the measures of real sales, number of worked hours and number of hands employed. Looking at real sales rather than capacity utilization connects manufacturing with the market and takes the performance analysis beyond the warehouse or store. Number of hours worked considers machinery put to use as against direct importation of finished products by the manufacturers themselves to substitute and survive, which a number of manufacturing enterprises in Nigeria have had to do! As well, looking at the number of hands employed will establish the direction of impact of manufacturing on the economy – whether it is creating or destroying jobs. Where these three become the focus of manufacturing performance management, it will be difficult to employ macro

data to paint an unrealistic picture or to justify failed policies and/or actions.

The latest evidence-based data on Nigerian manufacturing is the 2002 survey report produced through the collaboration of the Africa Private Sector Department of the World Bank, International Finance Corporation and the Small and Medium Enterprise Department. The survey used firm-level data and summarized the situation as:

"…the organized private sector … has suffered from inadequate infrastructure, under-investment in human resources, poorly conceived and executed development strategies, major uncertainty concerning the intent and efficacy of public policy and widespread corruption. A telling indicator in this regard has been the decline of the manufacturing sector from 8.8 percent of gross domestic product (GDP) in 1979 to only 5.4 percent in 1998."

In the comparison of the ratios of wages to value-added of Nigeria (2001) with other countries in Sub-Saharan Africa (1980s) and Asia (at the beginning of their rapid economic growth), the World Bank survey averred that Nigeria has the potential to be competitive in world markets. This potential could hardly be converted into real gains in an environment where policies ignore the peculiarities of the operating environment. For instance, the tariff regime of 1995 to 2001 emphasized a gradual exposure of domestic manufacturing (that was weak as it were and disadvantaged) to international competition by reducing the tariffs on consumer goods, which hitherto were highly taxed vis-à-vis raw materials, intermediate and capital goods. This alone neutralized the benefits of highly skilled and cheap workforce, improved efficiency (most of the firms grew larger in sales with fewer employees and aging machines – only 37% of the largest manufacturing dropped to lower size bands) and the virile domestic and West African markets.

A review of the list of largest exporters published in the 2006 annual report of the Central Bank of Nigeria shows that manufacturing is an insignificant number – one of the manufacturers listed closed shop and disengaged some 4,000 of its workers as this article was being finalized.

WHERE IT SHOULD GO

The first consideration is for the Nigerian government to accept that failed manufacturing makes the domestic economy perpetually subservient, especially for the population size, the virility and size of the market and huge potentials Nigeria has. While Bahamas with a population of 305,000 people can thrive on tourism and asset management, and be presented as a model economy that is strong on account of openness and solid institutions, the complexity of Nigeria makes manufacturing vital to her economic prosperity.

Fact is, Nigeria has potential for everything, but needs to be focused on what really matters. As stated in previous sections, manufacturing offers numerous advantages that include:

• High domestic value-added, with its wealth-creation potentials
• Fast and sustainable job creation
• Widespread linkages, as opposed to the enclave that the oil economy is
• Conservation of foreign reserves

Manufacturing should be placed at the top of Nigeria's priority immediately. Any wealth created through any other sector is not enduring, restricted to an enclave without linkages, or limited in distribution. Manufacturing cuts across the entire spectrum, and offers a good opportunity to integrate the organized private sector and the informal sector (about 54% of the economically active population) than any conceivable poverty reduction/alleviation programme.

WHAT NEEDS TO BE DONE

Nigeria needs to adopt, as her 21st century vision, a manufacturing sector that makes 25% contribution to GDP. That will entail spelling out what the focus will be on over the next 93 years, which all policy initiatives and actions will revolve round. Right from infrastructure development and management, to education, technology, fiscal policy/activities of the governments (all three tiers), monetary policy, commercial/trade policy, and foreign policy, everything must be designed to revolve around manufacturing. For instance, inadequate electric power would entail planned distribution that ensures that factories are serviced daily and during specified hours of the day. As well, political office aspirants would be required to articulate their plans for lifting the manufacturing sector from wherever it is at the time of seeking elective office.

Manufacturing should be placed at the top of Nigeria's priority immediately. Any wealth created through any other sector is not enduring, restricted to an enclave without linkages, or limited in distribution.

This is simply to recognize the fact that crude oil (hydrocarbon formed over millions of years) on which Nigeria relies now for funding development and driving the economy, natural gas and solid minerals (the next two – N2) are wasting assets that cannot be replaced. Manufacturing is an unending cycle of activities.

An important policy consideration in manufacturing is "local content", as already introduced in the petroleum oil and maritime sectors. This will progressively require large manufacturers to raise their local content to 55%, given the resource endowment of Nigeria. This should create a lot of activities ranging from exploration to experimentation (that fosters creativity and innovation) and real partnering for growth and development, rather than foreign investors coming in as rent seekers. Nigeria's industrial policy cannot mirror that of Japan, for instance, that is limited in natural endowment. The entire process will create jobs fast and in their millions, with the salutary effects on poverty, crime (vis-à-vis safety of lives and properties), effective demand, tax revenue to governments and a host of other benefits.

Change of mindset from value chain to "responsibility chain", in which every stakeholder in Nigerian manufacturing is more concerned with the value-added to the Nigerian economy in the manufacturing process and how that value can be expanded over time. This should work as follows.

The government provides a manufacturing-friendly business environment through a combination of policy initiatives that include:

1. Massive investment in infrastructure, using the vehicle of Public-Private-Partnership.
2. Tax incentives for manufacturers that integrate backwards and achieve the periodical local content target, especially with local micro enterprises rather than establishing their own subsidiaries
3. Funding support for the largest manufacturers employing a minimum of 5,000 people, either through a special fund or guarantee for bank loans
4. Establishment of industrial clusters for micro and small scale manufacturers, where the necessary infrastructure (electricity, water, roads and telephony services) are provided along with factory buildings
5. Review at five-year intervals the tariff structure to ensure that the deliberate advantage to manufacturing is not vitiated in any way
6. Discontinue with waivers and concessions to importers of finished goods where there exists local capacity to manufacture
7. Enforce the "buy Nigeria" policy initiative, especially with Government ministries, departments and agencies (MDAs)
8. Address with vigour the problem of multiple taxa-

tion, with every tier of government properly educated as to the gains and losses of stifling manufacturing – gains to competing countries and losses to Nigeria

9. Further empower the Standards Organization of Nigeria (SON) with resource support to enforce standards, both of domestic manufactures and imported goods

Large and medium scale manufacturers should be required to do the following:

1. Increase their local content to a minimum of 25% over the next five years, as a general benchmark, and raise it thereafter by 5 percentage points every five years towards the century target of 70%.

2. Specify minimum standards for local suppliers (themselves manufacturers, not importers) and guarantee their markets, prices and facilitate credit support

3. Seek opportunities for facility sharing, especially where they are located contiguous to one another. This could be key to reducing the cost of self-generated electricity from the level of 11 US cents per kilowatt hour (kwH) against an international average of 5-6 US cents/kwH in 2001.

CONCLUSION

For many years now, every stakeholder of the Nigerian economy has rightly identified that the country has huge potentials. The road map for converting those potentials into actual growth and development gains has been the challenge of all times. Several experiments have been carried out, in the name of policy initiatives (involving major shifts on occasions), structural adjustment and reforms without emphasis on leveraging on manufacturing. Instances where policies were designed to boost manufacturing, they did not last long enough before they were reversed because of vested interests based on dubious arguments.

The strong correlation between GDP growth and the growth of industrial activities is a pointer to the strategic importance of domestic manufacturing. This would mean that reform of any sector of the Nigerian economy would be incomplete without the outcome impacting positively on manufacturing. In fact, relevance to the manufacturing sector should determine acceptability of any reform agenda.

In order to achieve the 25% target contribution to GDP, there has to be a change of mindset from value chain view to "responsibility chain" in which all Nigerian stakeholders are responsible for lifting manufacturing because of the enduring benefits it confers on all. Governments play their own facilitator role, manufacturers (especially the large ones) ensure quality is delivered at internationally competitive prices, and consumer preference supports domestic manufacturing.

Much as international trade (whether global and regional) is vital to any nation in the contemporary world economy, the bedrock of the engagement of every nation should be the value brought to the market. No doubt, Nigeria offers value in several ways in Sub-Saharan Africa and especially along the West African coast, but more enduring value that creates wealth for the most citizens can only be found in manufacturing. Trade engagement should therefore, be based on manufacturing value-added, rather than market for foreign manufactures.

The target year 2015 for attainment of the Millennium Development Goals (MDG) will be elusive without an immediate and concerted effort to revive the Nigerian manufacturing sector. Really, manufacturing makes everybody a winner.

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How to Blow $50 Billion: A Recipe for Disaster

*** By Elaine Delaney**

Market turmoil is not a new phenomenon. Ever since the Panic of 1907, the financial world seems to lurch from crisis to crisis. We have had the Crash of '29, the Big Bang, the Dot-Com Bust, the Asian Crisis and the Tequila Effect, to name a few. Yet another crisis has unfolded in recent months within the debt markets, christened the "Sub-prime Slime". The sheer quanta of the losses sustained by the recent shock are dazzling.

Investment banks are fond of their league tables; the table below depicts the losses declared to date by some of the bulge bracket banks:

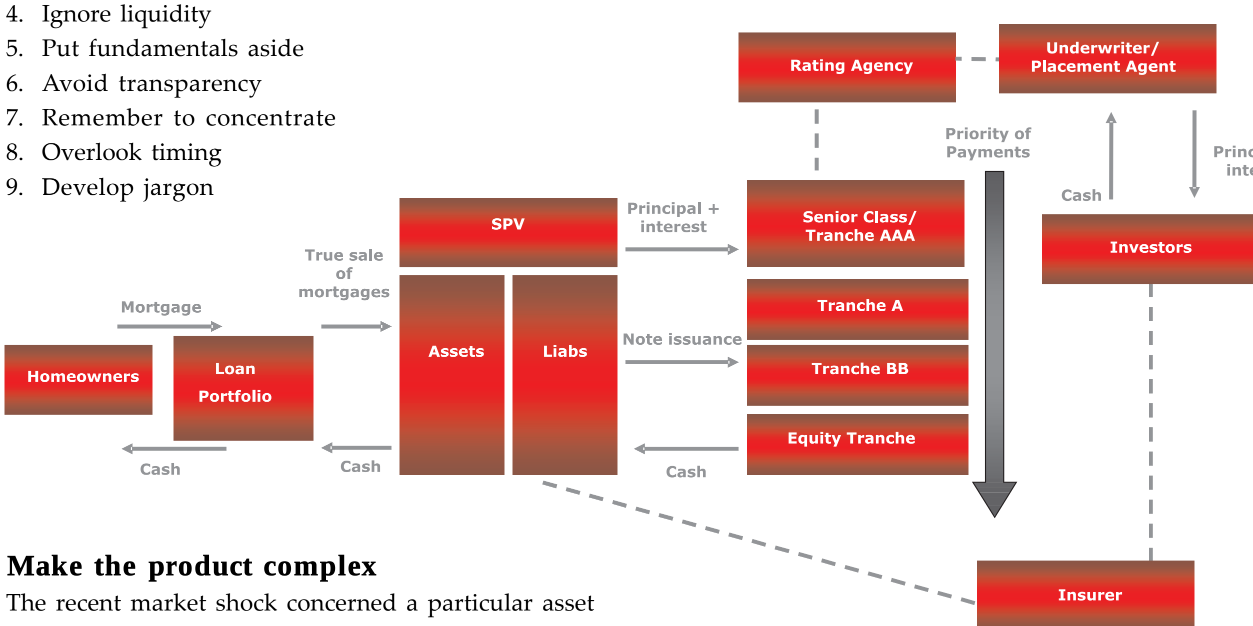
Credit Suisse recently estimated that the total losses will mount to over $52 billion. In effect, the global banks have collectively managed to lose over half the GDP of

When a mortgage is originated, it is a loan secured by a property. From the lender's perspective it is a series of cashflows, attached to which is a probability of default, the costs of which are minimized by holding title to the property.

Nigeria. How could these financial wizards have got it so wrong? To answer this question, we can draw up a practical step by step guide to creating an enabling environment to ensure that these losses are certain to materialize:

Recipe for a financial time-bomb:

1. Make the product complex
2. Forget about risk
3. Gear up
4. Ignore liquidity
5. Put fundamentals aside
6. Avoid transparency
7. Remember to concentrate
8. Overlook timing
9. Develop jargon



Make the product complex

The recent market shock concerned a particular asset type known as securitizations. At their simplest, securitizations are merely a repackaging of other assets. By combining a pool of assets, the characteristics of these assets can be spliced and diced to create an entirely new set of assets. The characteristics of the new structure often bear little resemblance to the original pooled assets. Take a book of mortgages, for example. When a mortgage is originated, it is a loan secured by a property. From the lender's perspective it is a series of cashflows, attached to which is a probability of default, the costs of which are minimized by holding title to the property. A lender can combine a portfolio of these mortgages into a new "special purpose entity/vehicle", a trust, and can create different tranches from the combined cashflows. The special purpose vehicle is bankruptcy remote and therefore does not have recourse to the assets of the originator. These tranches are structured to reflect their repayment profile and will have different credit profiles. Oftentimes, other enhancements are used in addition to or in lieu of the tranched approach in order to improve the credit quality e.g. an excess credit spread, insurances or merely overcollateralising. The top tranches can be of AAA quality; whilst the bottom tranche will be more akin to an equity style risk. The top tranches are repaid first from the cashflows, the second tranche with the remaining cash and so on and so forth with the residual cash payable to the equity tranche.

The structure becomes even more complicated when the underlying portfolio is not cash-based but loaded with derivatives. In such structures, even the most sophisticated investor can lose sight of the true nature of the return and the net exposures. In particular, winding down derivative positions in choppy markets is no mean feat. The compensation required for this extreme liquidity risk is often overlooked.

Forget about risk

No matter how much slicing and dicing, repackaging, restructuring and engineering, the risks attached to the original cashflows cannot be ignored. It is these cashflows which will be used to service any new structure. The market risk attached to these structures, once considered minimal and lagging severely behind credit risk, has proved to be equally as potent. The meltdown occurred initially within structures that focused on the US subprime market. This market, worth some $1.3 trillion dollars, is the market for loans extended to impaired credits. The advent of securitisation ironically increased the liquidity in these

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products to the extent that over 60% of subprime loans are currently securitized.

Gear up

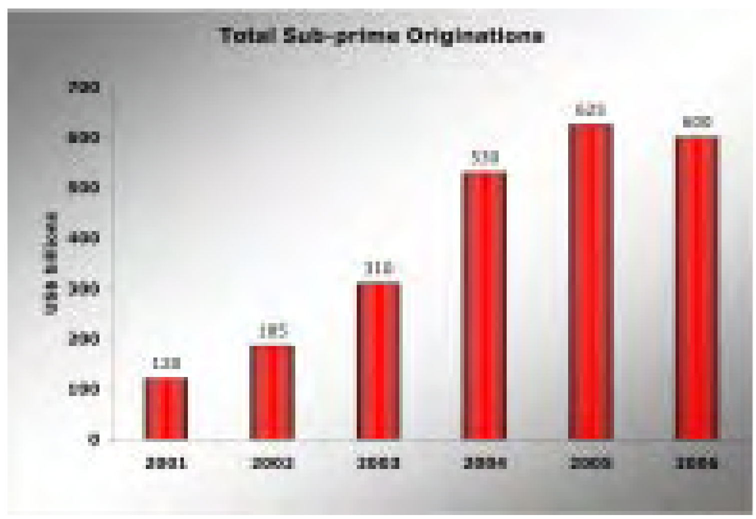
Nothing sets up the perfect backdrop for a financial storm than leveraging up. In good times, borrowing to invest in securities can pay handsome dividends. The corollary is that when turbulence arises, those that have borrowed heavily or under-reserved can suffer heavily. Part of the problem with the recent sub-prime meltdown lies with the original writers of the mortgages. Irresponsible lenders were found to have exaggerated incomes in order to increase the value of loan disbursed. Oftentimes, these products were sold on an interest only basis in order to make repayments affordable. The conditions for a perfect storm soon followed. A drop in income, an increase in interest rates compounded by a fall in US property prices all conspired to bring about the highest rate of mortgage default witnessed to date. With a further rate increase in October, a new record may be set in the ensuing months. $100 billion of loans are set to be subject to a rate increase, supported by further falls in property prices and the recent credit crunch making refinancing more difficult; the storm may turn into a hurricane. Many products had limited guaranties or "repurchase agreements". In the event of defaults above a given threshold, the originator of the loan will be compelled to buy back the non-performing loans. If inadequate reserves have been set aside to meet these payments, bankruptcy can ensue as demonstrated by the insolvency of over 20 mortgage companies in the US in the last three months.

Ignore liquidity

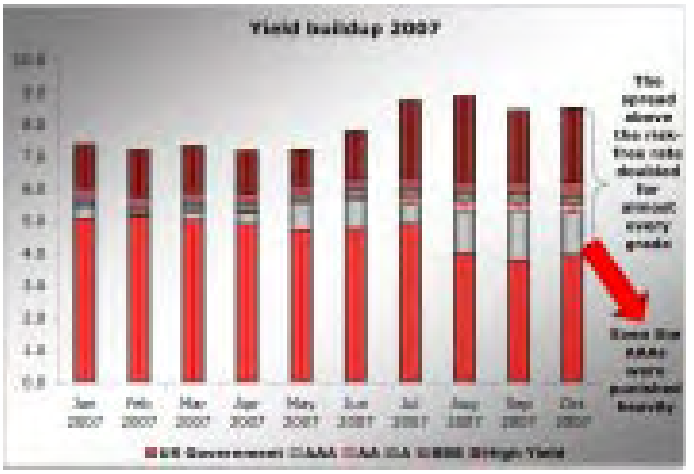
Liquidity is defined as the ease at which an asset can be converted in cash. A T-bill, therefore is extremely liquid, a property in Botswana is not. The liquidity, or otherwise, of securitized products has often been overlooked. The leading rating agencies, Moody's, S&P and Fitch, do not even measure liquidity risk for securitizations. They will now. Once the crisis began, the issue of liquidity became paramount. In order to avoid a systemic credit crunch, the US Fed injected an initial $45bn into the system, whilst their European counterpart, the ECB injected $119bn. Northern Rock, a UK bank, has won the inauspicious title of being the only bank to have caused a run on money in the UK banking system since the late 19th century. Newsreels were abound with pictures of lengthy queues outside Northern Rock branches of disgruntled depositors ill at ease with the security of their money. Over $4bn was liquidated over the course of two weeks.

Put fundamentals aside

If the dot-com boom and bust taught the financial industry anything, it should have been the perils of ignoring the



underlying fundamentals. No matter what the product, the country, the fiscal or regulatory environment, cashflow is king. As any stakeholder in a business, whether equity, debt, employee or creditor, the fundamental question needs to be answered: how am I going to get paid? The only way that payments can be made is through the cash that is generated: end of story. It is not a particularly difficult concept, yet many irrational and flawed investment decisions are made purely because this question has not been asked aggressively enough. Investors can get caught up in the quant side of investment – reviewing metrics that attach probabilities to events. The beauty of probability theory is its complete inability to measure the real issues that keep investors awake at night – the so-called "tail-events" – the events that have a one in a hundred chance of occurring but when they do – they bring



about financial annihilation. If a clear focus is kept upon the fundamentals, the chances of losing $8bn is significantly reduced. The onslaught of securitization was brought about by developments in the world of statistics. The development of a particular subset of statistics, namely copulas, enabled the ease of pricing of all sorts of weird and wonderful products. The issue of copulas has been discussed in a previous volume of ZEQ; their power as statistical tools is unquestionable. The fact remains, however, that catastrophe modeling remains a niche arena for academics. The income from structuring products may be juicy, but if your balance sheet and income statement is in jeopardy for doing such, you must be very clear about how your cards are stacked. When genius fails, it can be expensive.

Avoid transparency

Transparency is a prerequisite to pricing: understand the product and one can understand the risks and hence the compensatory rewards. In the absence of transparency, an investor would be better advised to chance their luck at casino tables –the risks and rewards are clearly defined and one may get a decent Martini thrown in for the bargain. The scramble of the global giants to seek to place a value on their potential losses and their admissions that there may be yet more to come clearly demonstrate the lack of transparency that they even suffer at the hands of such products.

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Remember to concentrate

A vital ingredient in ensuring disaster is concentration. Ever since the advent of modern portfolio theory, the effect on risk reduction brought about by diversification can be quantified. Packaging large pools of similar products together and restructuring will not vacate the concentration risk in the event of a market tremor.

Overlook timing

A particular risk posed by mortgage securities is the prepayment option available to borrowers; equivalent to the borrower holding a call option on the loan. Borrowers will prepay their loans in a decreasing interest rate environment in order to refinance at lower interest rates. From an investor's perspective this is bad news. Replacing this asset will be in a less favourable interest-rate environment for the investor seeking fixed income exposure. In the converse, increasing interest rate scenarios reduce the likelihood of prepayment. The investor is therefore saddled with an asset that is paying below the market rate. This inherent feature of mortgage-backed securities is known as negative convexity. The timing of highly correlated cashflows can have a significant impact on the return profile of a mortgage-backed security – an issue which is traditionally overlooked.

Develop jargon

Nothing helps fuel a financial fire like developing an impenetrable language to describe a product range. The more clever and innovative a product sounds, the better the ease at which an investor can be lulled into a false sense of security. However intelligent packaging and intelligent design do not necessarily equate to intelligent investment decisions. We end this recipe with a quick reference list of other recipes for disaster that may yet unfold:

ABS - Asset-backed securities
CBO - Collateralized bond obligations
CLO - Collateralized loan obligations
SFCDOs - Structured finance CDOs
CRE CDOs - Commercial Real Estate CDOs
CDO-Squared - CDOs backed primarily by securities issued by other CDOs.

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Expanding Business Opportunities through International Arbitration

* By David A. Baron

As competition for investment is increasing throughout the world, economies seeking investment, both foreign and domestic, are realizing that business transactions follow stability. One of the best ways to ensure stability is to assure investors that when they enter a new market, they will be able to retain control of their profits and personnel, enforce contracts, and engage in productive activities – and will not be trapped by inefficient regulations. If an investor thinks his/her property is going to be expropriated, suspects the rules of the game will change arbitrarily, or feels the system is unstable, then most often that investor will decide that it is not worthwhile to do business in that market.

International arbitration is one way to bridge the gap between investors or foreign companies and domestic entities by providing a neutral and independent mechanism for resolving disputes when they arise. International arbitration is part of the rule of law and is a mechanism for implementing the rule of law in places where it might not otherwise exist or be fully employed to solve problems. It brings the stability that is so essential to foreign investment, and is particularly relevant to investment in emerging markets with weak or unstable institutions because arbitration establishes a working system for resolving disputes.

What is international arbitration?

In its most basic form, international arbitration is a private, non-judicial dispute resolution process by which parties from different states present a dispute to neutral arbitrators. The end goal is to arrive quickly and painlessly at a resolution that is final and binding. That generally means that there are no appeals. The lack of available appellate review can be seen as either an advantage or disadvantage, but the reality is that successful appeals are very rare in international arbitration.


Court of Arbitration, Paris

Arbitration proceedings result from written arbitration agreements, which are developed with the mutual consent of the parties involved. Such agreements say, "If we have a problem we're going to fix it in a way that is established in this document, in compliance with certain rules and procedures." Without this written consent, it is not possible to enforce arbitration. The consent must be in writing to fall within the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, also known as the New York Convention. The most attractive feature of the New York Convention is that an arbitration ruling can be enforced judicially in any country that is a party to the New York Convention.

Arbitration is not possible without the prior consent of all parties involved. As a result, arbitration agreements often have an interesting effect on parties bound by them once the parties realize that a dispute has arisen. When one party knows it has acted wrongfully, it often does not want to go to arbitration – because it knows the rules and knows it is likely going to lose. Likewise, when two parties have a disagreement without having previously consented to arbitral dispute resolution, it is more difficult to reach a consensus on how to reach a solution.

To the extent that the dispute involves a commercial entity and a government or state-owned entity, the necessary consent between the parties can happen without 'privity of contract.' Many countries have signed bilateral investment treaties or other agreements in which the country has expressed general consent to submit disputes concerning international investments to binding international arbitration. Where such international agreements are applicable, affected commercial entities can attempt to obtain similar relief through arbitration and enforce any resulting judgment through the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, also known as the ICSID Convention.

Arbitration is merely one way to resolve disputes. Other methods include negotiation, mediation, litigation, and, unfortunately, violence. Violence is one extension of problem-solving; cases are frequently brought before the International Court of Justice in which opposing parties have been shooting at one another before they finally agree to arbitration. If a dispute can be reduced to an arbitration clause or an arbitration agreement, it can be resolved it in a much more straightforward manner in accordance with the rule of law.

Negotiation is a valuable alternative. Arbitration is an adversarial process – there are two sides, and the two sides disagree. In the international commercial context, the two sides may not interact in a violent manner, but they are exchanging rhetorical barbs. So, if it is possible to resolve a dispute through negotiation before moving to arbitration or litigation, so much the better.

For example, an American company may have a dispute with partners in Mexico. Although the two parties signed contracts, agreements, and a payment schedule, each time payments are due, the Mexican counterparts want to re-negotiate the contract. Rather than jumping into arbitration, this case should first be examined in a cultural context. It may come to light that the Mexican parties view each payment as a new negotiating opportunity. Had the American company been more aware of these circumstances going into the agreement, these externalities could have been built into the payment structure. In this case, arbitration would put the two parties through unnecessary conflict. Likewise, when two parties can agree to take a case to a neutral third party for mediation, a resolution can be reached without the cost formal arbitration entails.

This is particularly the case when both parties want to retain a relationship and work towards a long-term deal. Even if the parties are in an advanced stage of disagreement and do not ever want to work together again, they may be able to at least agree on a common goal. Litigation differs from arbitration in that it uses domestic court systems, where one party is usually sitting in their home territory – creating numerous difficulties (both perceived and real) for the foreign participant in terms of navigating local waters and having equal access to the legal system. More importantly, litigation is a more formal process than arbitration, which, as a manifestation of the consent of the parties, is less strict, more flexible, and frequently better equipped to meet the parties' needs to resolve the dispute. There are several types of arbitration. One is *adhoc arbitration*, in which two parties agree in writing to address any future problems by arbitration. *Ad hoc* arbitration means that parties will either create their own mechanisms for resolving the dispute, or adapt mechanisms from other sources.

The second type is *institutional arbitration*, in which parties approach an established international arbitration body and invoke its services in order to resolve a dispute. The three major international arbitration institutions are the International Court of Arbitration of the International Chamber of Commerce (ICC), the London Court of International Arbitration, and the American Arbitration Association's International Center for Dispute Resolution. These institutions

Advantages and Disadvantages of International Arbitration

Advantages

- Separation of a dispute from a party's legal system
- Impartiality of tribunal Speed – can avoid delays of national court systems
- Specialized expertise of arbitrators Flexibility/informality of procedures Control of rules by prior consent of the parties
- Enforcement of awards is often easier than that of domestic court judgments
- Confidentiality of proceedings Flexibility within linguistic/ cultural differences
- Finality – generally no appeal
- Case-by-case resolution of a dispute
- Often less expensive than litigation

Disadvantages

- Generally no appeal
- Compromise is more likely than "all or nothing"
- Confidentiality is not absolute and is difficult to enforce
- Arbitral tribunals have limited powers
- Can be as expensive and slow as litigation
- Difficult to obtain party consent in multi-party disputes
- Arbitrators may be field experts and not legal experts
- Lack of precedent sometimes leads to lack of uniformity of decisions
- Case-by-case resolution may focus more on the facts of the case than applicable law
- Interim relief and discovery may be limited

have mechanisms and rules that are already in place. The rules establish many important procedures, such as how the arbitrators are appointed, how they are compensated, the time frame for the arbitration proceedings, and how the proceedings are to be conducted. There are some advantages to working outside the boundaries of an established system and framework. One advantage is that *ad hoc* arbitration can be less expensive. To use the ICC, parties have to pay the Chamber an amount of money based on the amount at issue in the dispute. The bigger the dispute, the higher the cost of arbitration. In addition to having to pay the fees of the arbitrators, costs cover the fees of the administrative staff and the overhead that goes into developing these mechanisms. On the other hand, working outside of the established system has its costs, too. For example, if parties decide to develop their own rules and pick their own arbitrators, it may be very difficult to reach agreement about who should resolve the dispute and how the arbitration will be conducted. By far, institutional arbitration is preferred by multinational companies and corporations and entities that do business abroad. According to a recent study by PriceWaterhouseCoopers, 76 percent of the respondent multinational companies prefer to do international arbitration through one of the major institutions, and 95 percent will continue to use institutional arbitration. Several factors reveal the cause of this overwhelming preference: in some instances multinational companies prefer institutional arbitration because of the prestige; in others, they prefer it because of the certainty of the process. In addition, they may prefer institutional arbitration because it is neutral and not affiliated with either party.

International institutions also play an important role in facilitating enforcement of an arbitral award. When parties take a decision from an established institution to a domestic court and request enforcement, judges understand that the procedures were fair and that there were no significant violations of due process. The domestic court is more likely to agree that the award was rendered by arbitrators who were not corrupt, and who gave the case their careful consideration such that the court can enforce the award with confidence. In cases where a company is involved with or in a country that is not a signatory to the New York Convention, it should take certain measures to protect its interests. It should ensure that the international dispute resolution clause provides for international arbitration outside of the given country, and that should arbitration occur, that it will happen in a country that has signed the New York Convention. Depending on whether the money is located in a country that is also a signatory to the New York Convention, an award may or may not be useful when it comes to actual enforcement. If the assets are hidden, investors should be aware that it will be difficult to enforce the arbitration decision and should build their risk projections and profit margins accordingly.

While 137 countries have already signed the New York Convention, that number does not include every country in which one may conduct business. In countries that are not yet signatories to the New York Convention there is an opportunity for the international business community to approach legislatures and government leaders in those countries about joining the New York Convention, thus creating opportunities for more secure investments in the future.

How does the process work?

First, there is a dispute. Two parties disagree; one wants to do something and the other wants to do something else. Before approaching an international arbitration institution, the parties need to establish what the original agreement was and how each party perceives that agreement to have been broken (or not). An arbitration clause guides the two parties into the next stages of arbitration; needless to say, without the clause there may be as many arguments over how to arbitrate as over the dispute itself. As the parties approach an arbitration institution, each will submit a written statement of testimony, in which legal and factual arguments are presented. After the statements have been submitted, the institution holds a hearing and decides whether to take the case. If the case is taken, the next stages are enacted by the arbitrators. In international arbitration, arbitrators are not bound to follow any particular precedent or governing law. Depending on the background of the arbitrators themselves, a decision may stem more from a civil law tradition or a common law tradition. Arbitrators need not necessarily be lawyers, and may instead be experts in a particular field. Parties may choose to submit a request for arbitration *ex aequo et bono* – according to what is right and good, in which case the arbitrators would come to a decision purely based on equity.

The discovery stage of the arbitration process is generally less complicated than that of litigation as what is needed is usually limited to what is relevant and specifically identifiable. Arbitrators may request additional discovery (or stop discovery) because depositions are generally not permitted. If it becomes apparent that one side is not producing documents that are known to exist, arbitrators will likely choose to include an adverse inference that one side was uncooperative. While this method cannot put anyone in jail or fine the parties for contempt of court, it has grown into a mechanism to internally 'police' the arbitration process. At the same time, The International Bar Association has recently come out with rules for

source: google.com

permitting limited international discovery in international arbitrations. While the rules are relatively new, they seem to be working and are growing in their use and popularity.

Another unique and appealing element of arbitration is that the decisions, or at least the proceedings, are usually confidential. Most of the time parties do not want the public to know that there is a dispute, and in fact the parties may plan for confidentiality in the arbitration clause itself. That said, with the Internet in particular, more and more decisions are being published all the time. The final stage of arbitration is enforcement. Enforcement occurs though a number of mechanisms, and may be worked into an arbitration agreement in the first place, or decided upon by the arbitrators. The New York Convention on the Enforcement of Arbitral Awards of 1958 attempts to guarantee that the results of arbitrations will be accepted. Yet even in the best possible scenario where the institutions, arbitrators, and processes are seen as fair, the award may be seen as unfavorable by one or even both parties and may be challenged in domestic courts. Under the New York Convention, however, the grounds for challenging an arbitral award are very limited.

Arbitration Clauses from the Main International Institutions

Each of the institutional arbitration mechanisms discussed previously – the ICC, the London Court of International Arbitration, and the American Arbitration Association – have all promulgated model arbitration clauses. Essentially, they have told the international community that they are in the business of fixing problems. This does not, however, mean that anyone should just blindly take an arbitration clause from a website or a different agreement and insert it into a new contract. Simply because a clause invokes the ICC does not mean that it is the best dispute resolution clause for the particular needs of either party signing a contract.

Arbitrators need not necessarily be lawyers, and may instead be experts in a particular field. Parties may choose to submit a request for arbitration ex aequo et bono – according to what is right and good,

Just as there is variety in dispute resolution clauses, there are differences between international arbitration institutions; again, it depends on the needs of both parties signing a contract as to which institution they might choose. The difference is most readily seen in who the arbitrators actually are. Parties using the ICC, for example, will likely work with an arbitrator of some international renown. Their services cost more, but they generally have significant experience that may be relevant to resolving a large international commercial dispute. Parties using a Latin American dispute resolution center, for example, would likely be working with a Latin American arbitrator, and the arbitration would most likely be conducted in Spanish. Regional dispute resolution centers may cost less than those of a large international institution, and the administrative personnel working with the parties and are more likely to come from a Latin American cultural background. The point is that these international institutions exist to address cultural and linguistic differences that occur between parties, so everyone is international in scope and experience.

Examining sample or model arbitration clauses of each of the different institutions shows how different they are and how each can present different opportunities and different problems, depending on the language used to write an arbitration clause. One clause or institution is not better than another in every case, but it is essential to choose what is most appropriate under the circumstances in each situation when drafting a dispute resolution clause.

American Arbitration Association (AAA)

1. Any controversy or claim arising out of or relating to this contract shall be determined by arbitration in accordance with the International Arbitration Rules of the International Centre for Dispute Resolution.

2. Any dispute, controversy, or claim arising out of or relating to this contract or the breach thereof, shall be finally settled by arbitration administered by the Commercial Arbitration and Mediation Center for the Americas (CAMCA) in accordance with its rules, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

3. Any dispute, controversy, or claim arising from or relating to this contract, or the breach, termination, or invalidity thereof, shall be settled by arbitration in accordance with the Rules of procedure of the Inter-American Commercial Arbitration Commission in effect on the date of this agreement.

4. Any dispute, controversy, or claim arising out of or relating to this contract, or the breach, termination, or invalidity thereof, shall be settled by arbitration under the United Nations Commission on International Trade Law (UNCITRAL) Arbitration Rules in effect on the date of this contract. The appointing authority shall be the International Centre for Dispute Resolution. The case shall be administered by the International Centre for Dispute Resolution under its Procedures for Cases under the UNCITRAL

Arbitration Rules. The first provision from the AAA is fairly simple, while the second attempts to be more expansive.

The first provision limits arbitration to the AAA, and the second gives the opportunity for non-American arbitration. There is a slight difference in language – using the same rules, but going to different institutions for arbitration, using a regional dispute resolution body as opposed to an American one. In cases where parties feel that an American institution would be biased towards an American party, invoking non-American institutions such as CAMCA may be more appropriate. In fact, one goal of international arbitration is to reduce the bias that exists or is perceived to exist in domestic situations.

In the third example from the AAA, the difference is more obvious, and allows for the "breach, termination, or invalidity" of a contract. It provides for unforeseen circumstances at the time of the dispute, and refers disputes to yet another institution, the Inter- American Commercial Arbitration Association (whose arbitrations are administered by the AAA). This clause addresses a situation where the Rules of Procedure may have changed over time, and invokes those rules as they stand at the time of the dispute rather than at the time of contractual agreement.

The fourth model is similar to the third but invokes the UNCITRAL Arbitration Rules. Established in 1976, these rules are in many ways the precursor of what has become the vibrant international arbitration that we see today. UNCITRAL rules are put forth by the United Nations for public use. These rules are often appropriate for *ad hoc* situations and are also often used in institutional arbitrations as well.

International Court of Arbitration of the International Chamber of Commerce (ICC)

- All disputes arising out of or in connection with the present contract shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one of more arbitrators appointed in accordance with the said rules.

This clause gets to the point: the parties will go to the ICC for international arbitration. Everyone knows (or can learn) what the rules are, and all the details will be worked out by the ICC. It is clear in its simplicity about how problems will be solved, but it does not allow the parties much influence over decisions to be taken in the arbitration process. Parties using this kind of a clause would most likely amend it to better address specific needs.

London Court of International Arbitration (LCIA)

- Any dispute arising out of or in connection with this contract, including any question regarding its existence, validity, or termination, shall be referred to and finally resolved by arbitration under the LCIA Rules, which

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Rules are deemed to be incorporated by reference into this clause.

- The number of arbitrators shall be [one/three].
- The seat, or legal place, of arbitration shall be [city and/ or country],
- The language to be used in the arbitral proceedings shall be [ ].
- The governing law of the contract shall be the substantive law of [].

This clause addresses situations where the very agreement to arbitrate – arbitrability – is in question. The phrase 'and finally resolved' is designed to ensure that there is no appeal process once an award has been issued. The intent of arbitration is exactly that a decision will be final, but problems often arise when one party feels that an unfavorable or improper decision has been made.

The other elements of the clause are examples of the types of things that must be considered when drafting an arbitration clause, and which in this model are presented right up front. This is not to say that this model could not be further negotiated or changed to more specifically address the needs of the parties drafting a dispute resolution clause however.

Other important factors to consider include selecting the applicable law, discovery, limitations on costs, and anything else the parties might be able to agree on. Deciding which law of which country will apply substantively and procedurally will provide the parameters for the arbitration and the issuance of the award is especially significant – by nature these are international agreements. The parties may even choose a jurisdiction in a third country. Discovery is one of the things that make the process of domestic litigation so expensive and burdensome – parties rarely agree on what documents need to be produced. In arbitration, discovery is not generally used to the same extent, and can be limited by the parties in the dispute resolution clause. As arbitration results from the consent of the parties, it will inevitably reflect whatever the parties included or left out of the agreement. Likewise, parties can put limitations on the cost of arbitration, by limiting either the amount to be paid to the arbitrators or the amount of time in which the arbitration must be resolved.

Each of the above model or example clauses from the AAA, the ICC, and the LCIA referenced rules by which the arbitration would take place. In addition to the UNCITRAL Rules (www.uncitral.org), there are also the ICSID Rules of Arbitration (www.worldbank.org/icsid), the ICC Rules (www.iccwbo.org), and the LCIA Rules (www.lcia-arbitration.com). The ICC also publishes Incoterms (www.icwbo.org/incoterms). Incoterms attempts to address problems arising from disputes of definition. While two parties may agree on the terms of an agreement, they may have different ideas of what those terms actually mean. By referencing Incoterms, parties can be sure that they agree to the same idea, not just the same words. This is particularly relevant to international agreements where the parties might speak different languages or have different cultural and business interpretations of the same words.

Conclusion

In practice, international arbitration is developing at a varied pace throughout the world. One significant trend to watch is in Latin America, where an increasing number of arbitrations are either being threatened, negotiated, or otherwise appear to be forthcoming. In many instances, the sources are different sides of the same coin. For example, in some places there are waves of privatizations and at the same time, in other places, waves of expropriations. These are the kinds of things that lead to difficulties in the functioning of the rule of law yet at the same time create new opportunities to develop stronger rule of law systems.

The increase in globalization means that there is an increasing need for international dispute resolution, and this is not necessarily a bad thing. If there are international disputes that need to be resolved, it means people are crossing national boundaries, business is happening, investment is occurring, development is increasing, and things are moving forward. There would not be a need for lawyers and the international dispute resolution mechanisms if these other processes were not taking place. This is not to say, however, that more should not be done to further facilitate international business transactions. While international arbitration can play its role in reducing uncertainty in business dealings, governments can also contribute by improving the legal and regulatory climates in their individual countries.

We are grateful to the CIPE for permission to publish this article.

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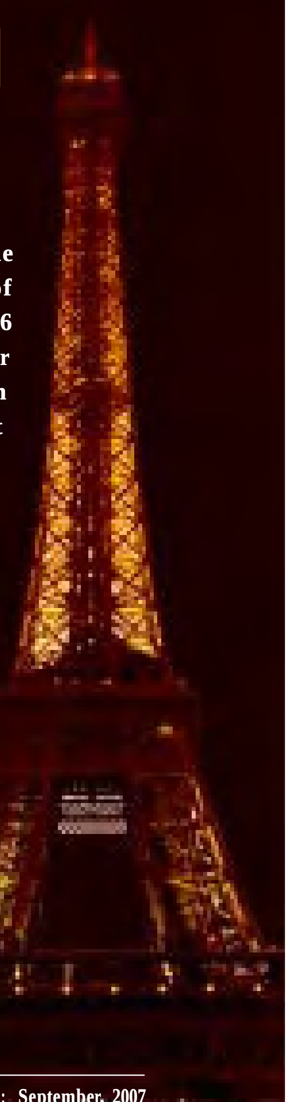
FRANCO-NIGERIA Trade Relations: Opportunities Untapped

* By Tony Monye



France's trade relations with Nigeria took a peculiar trend in the past five-years. Her exports to Nigeria, as a percentage of Europe's figures, consistently declined between 2002 and 2006 with the exception of 2005 when it went up by about 10.99 per cent; from 8.23 per cent achieved the previous year to 19.22 per cent in 2005. In naira terms, Nigeria's imports rose by about 195.32 per cent in the period under review; from N43.574 billion to N128.683billion. The greatest rise in France's exports to Nigeria took place between years 2004 – 2005; where Nigeria's imports went up by almost 96 percent, from N64.431billion to N125.909billion.

France has consistently played second fiddle in her trade relations with Nigeria especially when compared with her other European neighbours, notably, the United Kingdom. Nigerians seem to favour made-in-UK goods over those of other Western European countries like Germany, and the Netherlands. This could be reasoned out. Nigeria is an ex colony of the UK and, by extension English is her official language. These have contributed to some extent in bridging trade discussions between citizens of the UK and Nigeria. United States, on the average, in the period under review was Nigeria's most favoured exporter-country.

On the other hand, Africa's most populous nation's exports to the land of Napoleon Bonaparte and Charles De Gaulle, as a percentage of her total Europe's imports, have consistently, risen in the examined period. This excludes year 2006 where Nigeria's exports went down by 1.17 per cent; from 27.90 per cent accomplished the previous year to 26.73 per cent in the succeeding year. Placed side-by-side with other European nations, France seems to be the second most favourable export destination for made-in-Nigeria goods. Spain remains Nigeria's most-favoured exports destination in Europe. The British do not seem to find Nigerian goods quite attractive. United States also remains the ECOWAS country's number one exports destination. In sum, the US is Nigeria's most favoured trading nation.

In absolute value terms, Nigeria's export figure showed a consistent yearly increase for the five-year period. France's imports from Nigeria went up by about 255.63 per cent; from N120.212 billion in

Trades: Nigeria and France – Exports

Yearly Figures: Nigeria's Imports from France, Europe and the U.S. (Nmillion)

Yearly/Country	France	Europe Total	United States	France as % of Europe
2002	43,574.2	445,112.5	134,988.8	10.0
2003	61,271.1	700,043.5	298,416.1	9.00
2004	64,431.3	783,207.6	174,209.4	8.23
2005	125,909.8	655,196.3	361,048.0	19.22
2006	128,683.7	1,159,502.0	455,165.2	11.10

Source: National Bureau of Statistics / Research & Economic Intelligence Group, Zenith Bank

Louvre Museum, Paris

2002 to N427.506 billion achieved in 2006. France's imports of Nigerian goods are heavily tilted in favour of crude oil and natural gas. According to trade figures from the French Embassy, these goods made up about 91.5 per cent of total imports from Nigeria in 2006. For the 5-year period reviewed, Nigeria enjoyed favourable trade balance with France; which went up progressively.

Franco-Nigeria Relations: Historicals

It was at the Berlin Conference in 1884 – 1885 where the European overlords of France, Germany, and the United Kingdom carved many of the modern African states for themselves as colonies. This they carried out regardless of historical or cultural linkages among the component units making up each nation-state. What the French lost at the conference tables turned out to be the British gains – a vast and richly blessed country, Nigeria, with potentials to be among the world's largest economies. It is not recorded in history why the French chose to overlook Nigeria, having entrenched their presence in all Nigeria's neighbouring states of Benin Republic, Niger, Chad and Cameroon. One wonders if the French are not ruing one of the outcomes of the Berlin exercise.

Trades: Nigeria and France – Exports

Yearly Figures: Nigeria's Exports to France, Europe and the US (Nmillion)

Yearly/Country	France	Europe Total	United States	France as % of Europe
2002	120,212.1	532,245.4	701,064.4	22.59
2003	175,559.0	684,699.9	1,189,476.6	25.64
2004	227,059.2	880,215.7	2,201,793.4	25.80
2005	340,766.1	1,221,357.3	2,703,093.7	27.90
2006	427,505.6	1,599,325.1	3,400,558.4	26.73

Source: *National Bureau of Statistics / Research & Economic Intelligence Group, Zenith Bank*

Nigeria-France: Political Relations

Relations between Nigeria and France predate 1960, the year Nigeria gained Independence. However, in the periods preceding Nigeria's Independence, political relations were conducted largely through the British who were the administrators of Nigeria. The French were among the first set of Western nations to establish political, diplomatic and trade relations in the days immediately after Nigeria's independence. Again in 1999, with the return of Nigeria to democracy, France was the first Western nation to throw her weight behind the re-emergence of voting power in Nigeria's political scene. In July that year, former President Jacques Chirac became the first foreign Head of State to pay a hugely successful State visit to the West African state.

Key Demographic Measures: Nigeria and France

Index	Nigeria	France
Population (millions)	148.5 (June 2007)	60.9 (July 2007)
Population Growth Rate (%)	2.379 (2007 estimate)	0.588 (2007 estimate)
Life Expectancy at Birth:		
Total Population (years):	47.77	80.59
Male (years):	46.83	77.35
Female (years):	48.07	84
Total Fertility Rate (TFR):	5.45 Children born / Woman (2007 est.)	1.98 (2007 estimate)
Land Area:		
Total (sq. km)	923,768	547,030
Land (sq. km)	910,768	545,630
Water (sq. km)	13,000	1,400
Land Use:		
Arable Land:	33.02%	33.46
Permanent Crops:	3.14%	2.03
Others:	63.84% (2005)	64.51

Source: Central Intelligence Agency and other websites

On a lighter note, it should be recalled that the present regimes in both countries were sworn into office in May, 2007; President Umaru Musa Yar'Adua for Nigeria while President Nicholas Sarkozy took charge in France. Both Presidents are first timers on the hot seats though they are seasoned politicians.

Nigeria: The French Touch in Trade and Investment

Trade and business relations have been going on in the past century between both countries. In fact, one of the earliest companies that sought for fortunes in the West African nation was French – Compagnie Francaise de l'Afrique Equatoriale. This company later merged with others to form, after lengthy negotiations, National African Company; the French version and rival of the British's United African Company (UAC). The trend ever since has been on the rise. Nigeria's market is quite attractive to French companies.

Over the years, they (French companies) have established a solid reputation by participating actively and more importantly, successfully in the development of the Nigerian economy. The French are represented in almost all the major spheres of the Nigerian economy and credibly so. For instance, in the construction sector, Bouygues, is the company that lent its expertise in the development of the African nation's capital city, Abuja. Air Liquide, another of French concerns, operates facilities all over Nigeria, supplying hospitals with industrial gas and oxygen. Peugeot remains a major shareholder in the auto plant based in Kaduna, the largest of its involvements in sub-Saharan Africa. Michelin recently pulled its production base out of Nigeria but it nevertheless maintains its sales and gum tree planting outlets. Lafarge is assisting in housing the Nigerian populace being one of the two largest cement

Yankari Game Reserve, Bauchi

Key Economic Indicators: Nigeria and France

Index	Nigeria	France
GDP (Purchasing Power Parity)	$191.4 billion (2006)	$1.902trillion (2006 estimate)
GDP (Official Exchange Rate)	$83.36 billion (2006	$2.151trillion (2006 estimate)
GDP - Real Growth Rate (%)	5.3 (2006)	2.2 (2006)
GDP Per Capita (PPP)	$1,500 (2006)	$31,200 (2006)
Military Expenditures - % of GDP	1.5 (2006)	2.6 (2005 est.)
Foreign Reserves	$42.97 billion (2006)	$98.54 billion (2006)
GDP Composition by Sector:		
Agriculture:	17.3%	2.2
Industry:	53.2%	20.6
Services:	29.5% (2006)	77.2 (2006)
Exchange Rate to the US$	N127	Eur0.79
Labour Force:	48.99 million (2006)	27.88 million (2006 estimate)
Unemployment Rate:	5.8% (2006)	8.7% (2006)
Investment (Gross Fixed)	26.4% of GDP (2006)	20% of GDP (2006)
Budget:		
Revenue:	$17.86 billion	$1.15 trillion
Expenditures:	$19.05 billion; including capital expenditures. (2006)	$1.211trillion; including capital expenditures (2006 estimate)
Inflation Rate (Consumer Prices):	10.5% (2006)	1.5% (2006)
Public Debt:	10.4% of GDP (2006)	64.7% of GDP
Debt External	$6.278 billion (2006)	$3.461trillion (June 2006)
Natural Resources:	Natural gas, petroleum, tin, iron ore, coal, limestone, niobium, lead, zinc, arable land etc	Coal, iron ore, bauxite, zinc, uranium, antimony, arsenic, potash, feldspar, gypsum, timber etc.
Exports:		
Total:	$59.01 billion f.o.b. (2006)	$490billion f.o.b. (2006 est.)
Commodities:	Petroleum and Petroleum products, 95%, Cocoa, rubber.	Machinery and transport equipment, aircraft, plastics, chemicals etc.
Key Partners:	US. 52.5%, Spain 8.2%, Brazil 6.1% (2006)	Germany 15.6%, Spain 9.6%, Italy 8.9%, UK 8.2%, Belgium 7.2%
Imports:		
Total:	$25.1 billion f.o.b. (2006)	$529.1billion f.o.b. (2006 est.)
Commodities:	Machinery, Chemicals, transport equipment, manufactured goods, food and live animals etc.	Machinery and equipment, vehicles, crude oil, aircraft, plastics, chemicals etc.
Key Partners:	China 10.4%, US. 7.3%, UK6.7%, Netherlands 6%, France 5.9%, Brazil 4.3%, Germany 4.2% (2005).	Germany 19%, Belgium 11%, Italy 8.3%, Spain 7%, Netherlands 6.7% UK 6.5%

Sources: Central Intelligence Agency (CIA), United Nations Development Programmes (UNDP), African Development Bank (AfDB), National Bureau of Statistics (NBS) and Research & Economic Intelligence Group.

Major Imports – France to Nigeria (2006)

Products	Millions (Euro)	Percentage of Exports (%)
Sound and Image Transmission Equipment	241.1	19.6
Refined Petroleum Products	163.0	13.2
Vehicles/ Automobiles	128.9	10.5
Pharmaceutical Preparations	80.2	7.4
Computers & I.T. Equipment	63.3	5.1
Engines & Turbines	43.0	3.5
Engines, Generators and Electrical Transformers	27.7	2.2
Extraction and Construction Machines	26.4	2.1
Steel tubes	26.3	2.1
Diverse, Specialised Machines	24.2	1.9
Recording, Sound & Image Equipment	22.1	1.9
Metallic Construction	22.0	1.8
Cereals and Plants Industrials	21.9	1.8
Automobile Equipment	19.4	1.5
Sugar	17.5	14
Electrical Components	14.1	1.1
Basic Plastic Materials	13.8	1.1
Electrical and Distribution Equipment	13.5	1.1
Aeronautic Equipment & Industrial Freezing	12.8	1.0
Pumps, Compressors and Hydraulic Systems	12.5	1.0
Control and Measurement Instruments	11.6	0.9
Industrial Chemicals	11.6	0.9
Rubber Works	11.0	0.9
Total	**1,027.90**	**100.00**

Source: French Embassy (Lagos Nigeria)

Major Exports – Nigeria to France (2006)

Products	Millions (Euro)	Percentage of Exports (%)
Crude Oil & Natural Gas	1,817	91.5
Refined Petroleum Products	84.1	4.2
Plant & Fruit Drinks	40.4	2.03
Prepared Fish Products	17.9	0.9
Chocolate Products	10.2	0.5
Cereal & Industrial Plants	5.9	0.3
Forest Products	2.6	0.13
Total	**1,978.10**	

Source: French Embassy (Lagos Nigeria)

producers in the country. Two other French companies, Alcatel and Sagem are respectively behind some of the developments in GSM telephony and the production of secured national identity cards for Nigerians. The queen of the French interests in Nigeria appears to be Total, a company that is playing some major roles in the development of Nigeria's petroleum and gas industry.

With well over 100 French companies doing business in Nigeria, it is worth stating that Nigeria has become France's first trading partner in the whole of Africa, ahead of South Africa. This new position was achieved just a couple of years ago, helped largely by the restoration of democracy in 1999. It is conservatively estimated that these companies have invested heavily, beyond the US$4billion mark. This figure puts French investments in Nigeria beyond the sum-total of her concerns in all the Francophone countries of West Africa. French investments in the country far exceed those of the British but second only to the Americans'.

Nigeria-France: Demographics

Nigeria and France have remarkably different demographic compositions. The Western European nation's population estimated at 60.9 million as at end-July 2007 is less than half of Nigeria's, put at 148.5million as at end-June 2007. In the years ahead, Nigeria's population will continue to be much larger than the French given the higher yearly net addition to the African country's figure. On the basis of life expectancy, both countries share some similarity. Males in both countries expect to live less long than their female counterparts. On the average, the French are likely to live almost as twice as their Nigerian counterparts. This is as a result of the higher level of medical, health and nutritional facilities available to the average French man. On the fertility scale, a typical Nigerian woman is expected to have between five and six children; a figure quite high when compared to the

French value of about two children to a woman.

Comparing land mass, Nigeria is a bit massive in relation to France. With 547,030 square kilometres, France (metropolitan area) is about 59 per cent of Nigeria, at 923,768 square kilometres. Nigeria still maintains a higher population density of the two countries; with about 161 persons per square kilometre to the French figure, puts at 111 persons per square kilometre. This means that the French's lower population is hardly compensated by an even smaller land mass.

Top-20 Economies in the World as at end-2006 by GDP (Nominal)

Rank	Country	GDP (trillions of USD)
1	United States of America	13.245
2	Japan	4.367
3	Germany	2.897
4	Peoples Republic of China	2.630
5	United Kingdom	2.374
6	France	2.232
7	Italy	1.853
8	Canada	1.269
9	Spain	1.226
10	Brazil	1.068
11	Russia	0.979
12	South Korea	0.888
13	India	0.887
14	Mexico	0.840
15	Australia	0.755
16	Netherlands	0.663
17	Belgium	0.394
18	Turkey	0.392
19	Sweden	0.385
20	Switzerland	0.377

Source: International Monetary Funds/ Research & Economic Intelligence Group, Zenith Bank

Top-10 Economies in Africa as at end-2006 by GDP

African Ranking	Country	GDP (Billions of USD)	World Ranking
1	South Africa	255.155	29
2	Nigeria	115.350	48
3	Algeria	114.322	49
4	Egypt	107.375	51
5	Morocco	57.407	59
6	Libya	50.330	62
7	Angola	43.759	63
8	Sudan	37.564	67
9	Tunisia	30.620	75
10	Kenya	23.187	79

Source: International Monetary Funds/ Research & Economic Intelligence Group, Zenith Bank

Nigeria-France: Economics

With gross domestic product (GDP) at constant purchasing power parity (PPP) as at end-2006 value at US$1.902 trillion, France's economy is about ten times that of West Africa's leading economic powerhouse, Nigeria, put at US$191.4billion. According to one of the International Monetary Fund (IMF) reports (2006), France belongs to the world's Top-20 economies, precisely occupying the sixth slot. Nigeria has finally taken over as the second largest economy in her continent, African from Algeria. South Africa still leads the continent with GDP figure put at US$255.155billion as at end-2006; which is more than twice the Nigerian value at US$115.35billion as at end of the same period. On a global scale, Nigeria ranks as the 48th largest economy. Nigeria is the only ECOWAS member-country included in the top-10 economies in the continent, largely dominated by Arab nations.

Also, the difference between France and Nigeria's per capita GDP figures also highlight the huge disparities between the two economies. France's sum of US$31,200 is more than twenty times the Nigerian figure put at US$1,500 as at end-2006. These figures, compared, are reflective of the categorization of the two countries. While France is grouped as one of the most advanced nations of the world; Nigeria, on the other hand, is regarded as one of the emerging economies of Africa and a developing nation.

Of the two countries, Nigeria and France, the African nation had a higher real GDP growth rate in 2006 put at 5.3 per cent as at year-end 2006. The European nation's figure for the same period was put at 2.2 per cent. Goldman Sachs predicts that if Nigeria is able to push her GDP growth rate upwards, she would likely be amongst the top-20 economies in the world 2025. France's foreign reserves put at US$98.54billion as at end-2006 were more than twice those of its Nigerian counterpart at US$42.97 for the same period. This means that the French are twice as likely to meet up with their foreign financial and other payment obligations as Nigerians.

The economies of the two nations differ greatly in their composition. This further buttresses the disparity in the level of development of the two economies. It is said that the more the contribution to an economy's GDP by the agricultural sector, the less the country is positioned on the developmental scale. In other words, higher contribution from the service sector would mean that an economy can, in a way, be regarded as a developed one. This succinctly pictures the scenarios between Nigeria and France. As at year-end 2006, the contribution from the service sector to the French economy was a massive 77.2 per cent, one of the highest in the world. The industry sector still contributes the most to Nigeria's GDP; a fact of her developing status.

Unsurprisingly, unemployment rate in Nigeria placed side-by-side with that of France appeared to be shrinking according to the figure for 2006. Nigeria's unemployment rate was 5.8 per cent as against 8.7 per cent for France. It is understandable that given a higher real GDP growth rate for the West African nation for the period, all things being equal, the nation's absorptive capacity of her teeming mass of unemployed would have improved.

Regarding inflation, Nigeria's rate as at end-2006 was still at the high-end of single digit level, according to the Central Bank of Nigeria's reports. France's inflation rate for the period was put at 1.5 per cent. This fell within the European Union's average for 2006. The two countries' public debts as a percentage of the GDP present distinct pictures. Nigeria's at 10.5 per cent as at end-2006 was within the critical threshold of forty-five per cent as against the French whose public debt has attained a worrying level of about 64.7 per cent.

On the international trade scene, the French exports contribution of about US$490billion free on board (f.o.b.) for 2006 was about ten times the Nigerian estimates put at US$59.01billion. Nigeria's exports were largely products from the extractive industry, petroleum, petroleum products and natural gas. On the other hand, France contributed machinery and transport equipment, aircraft, plastics and chemicals to global export trades. On the import side, Nigeria's figure of US$25.1billion was twenty times below the French import value of US$529.1 billion. As at end-2006, while Nigeria experienced a favourable balance of trade in her relations with the rest of the world, France could not be said to have had similar experience. Nigeria's imports from France were centred on sound and image transmission equipment, refined petroleum products, vehicles and automobiles with 19.6, 13.2 and 10.5 per cent, respectively. On the flipside, the French are major consumers of Nigeria's crude oil with a whopping 91.5 per cent of her imports.

Nigeria's preferential trade partners are outside of the shores of the continent of Africa and they are almost evenly spread across all the continents of the world. Unlike the French whose trade partners are largely their European neighbours, in fact, fellow member-states of the European Union (EU). Why is this so? Proximity does not seem to be a strong factor linking trades between countries. Nigeria's key exports partners in 2006 were United States, Spain and Brail with 52.5, 8.2 and 6.1 per cents, respectively. On the import side, Nigeria traded most especially with China, United States (U.S.) and United Kingdom, with 10.4, 7.3 and 6.7 per cents, respectively in 2006. France's major export destinations were Germany, Spain, and Italy with 15.6, 9.6 and 8.9 per cents, respectively in 2006; all member-states of the EU.

The French were among the first set of Western nations to establish political, diplomatic and trade relations in the days immediately after Nigeria's independence.

Nigeria-France: Telescoping the Future

The future of the two countries' relationship is bright because of the vast untapped potentials and opportunities. Nigeria presents, not just to France but the rest of the world, the largest market in the continent with a comparatively good per capita income figure to other African countries. France, on the other hand, is one of Europe's best in terms of quality of manufactured goods and aviation products. In spite of the fact that Nigeria is France's most important trade partner south of the Sahara, the two countries are still slightly in the dark about each other's culture and are also not fully aware of each other's true human and trade potentials. When these countries, one a growing global player and the other an established international power, decide to work on barriers inhibiting the growth of their relations, their fullest possible (trade and other relations) potentials could be realized. Nigeria needs to find a way to encourage the growth of the French language. Apart from the need to strengthen relations, economic and otherwise with France, she is surrounded by French-speaking nations. And, France too would have to look beyond their gas and energy needs as Nigeria has a lot more on offer for her. In a nutshell, there are urgent needs to expand the spheres of co-operation by both countries for the good of their people.

(* Tony Monye is an Assistant Editor, Zenith Economic Quarterly)

MDGs Is Africa Meeting These Colossal Goals?

*By Eunice Sampson

"No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable" - Adam Smith; "The Wealth of Nations"; 1776

When the idea of the Millennium Development Goals was first muted in year 2000, World Bank statistics showed that about 1.3 billion people on earth were struggling on less than $1 per day – the category of the "extremely poor". The developed economies and multilateral agencies have voiced increasing discomfort with this global anomaly, even though not much determined steps have been taken to ensure its complete eradication.

THE MILLENNIUM DEVELOPMENT GOAL (MDG)

During the **World Summit for Social Development** in 1995, over a hundred heads of State and Government gathered in Copenhagen, Denmark to discuss global poverty, with a solemn promise to eradicate it.

In September 2000, the United Nations summoned the world, with 189 world leaders on hand to commit to the **Millennium Declaration**, to "free all men, women and children from the abject and dehumanizing conditions of extreme poverty" by the year 2015. This signaled the birth of the **Millennium Development Goal** (MDG).

Through the MDGs, the world at least has unmasked the ugliness of global poverty and the basic tools with which it could be tackled – education, healthcare, gender equality, environmental sustainability, technology spread, global cooperation, etc.

These goals were set to be met over a period of 25 years, from 1990 to 2015, using the global situation as at 1990 as the benchmark for measuring progress over time.

The nucleus of the MDG is to halve by the year 2015, the number of people who live on less than one dollar a day by pursuing the actualisation of the following 8 goals:

- Goal 1: Eradicate extreme poverty and hunger
- Goal 2: Achieve universal primary education
- Goal 3: Promote gender equality and empower women
- Goal 4: Reduce child mortality
- Goal 5: Improve maternal health
- Goal 6: Combat HIV/AIDS, Malaria and Other Diseases
- Goal 7: Ensure environmental sustainability
- Goal 8: Develop a global partnership for development

The world was highly optimistic that, if these goals were diligently pursued, abject poverty would become history in all parts of the world by 2015.

0.7% MDG Committment: Compliance Status of Volunteers

COUNTRY	For each $100 earned in the country, how much is donated in aid	Aid as % of income	How close the country is to reaching the 0.7% goal
Sweden	103 cents	1.03	Already reached goal
Luxembourg	89 cents	0.89	Already reached goal
Norway	89 cents	0.89	Already reached goal
Netherlands	81 cents	0.81	Already reached goal
Denmark	80 cents	0.80	Already reached goal
Ireland	53 cents	0.53	Scheduled to reach in 2012
United Kingdom	52 cents	0.52	Scheduled to reach in 2013
Belgium	50 cents	0.50	Scheduled to reach in 2010
Austria	48 cents	0.48	Scheduled to reach in 2015
France	47 cents	0.47	Scheduled to reach in 2012
Switzerland	39 cents	0.39	No schedule yet
Finland	39 cents	0.39	Scheduled to reach in 2010
Germany	36 cents	0.36	Scheduled to reach in 2014
Spain	32 cents	0.32	Scheduled to reach in 2012
Canada	30 cents	0.30	No schedule yet
Australia	30 cents	0.30	No schedule yet
New Zealand	27 cents	0.27	No schedule yet
Japan	25 cents	0.25	No schedule yet
Portugal	21 cents	0.21	Scheduled to reach in 2015
Italy	20 cents	0.20	Scheduled to reach in 2015
United States	17 cents	0.17	No schedule yet
Greece	16 cents	0.16	Scheduled to reach in 2015

Source: OECD; UN Millennium Project; Poverty.com

'EXTREME POVERTY' – HAS THE WORLD DONE ENOUGH?

Poverty has in this century taken on diverse interpretations. The most quoted poverty indicator today is that popularized by the World Bank, which defines the poor as "those living on less than $1 per day". Many analysts, including the Nobel Prize-winning economist, Amartya Sen, have disagreed with this 'convenient label'. For him, "*poverty must be seen as the deprivation of basic capabilities rather than merely as lowness of incomes*."

Essentially, to be poor is to be deprived – of sufficient income, adequate food intake, basic healthcare, safe drinking water, environmental cleanliness, basic education and skills, fundamental human rights, information, etc. Fortunately, these are some of the needs that the MDGs have set out to address.

According to the United Nations, about 25,000 people die every day of hunger or hunger-related causes; much of these victims, unfortunately, are children.

The United Nations has since calculated that, to accomplish the Millennium Development Goals by the set date, about $195 billion a year would be required. The question now is where will these enormous resources come from?

Counting on Developed Economies:

During the Monterrey Conference of March 2002, 22 of the world's richest economies led by British Tony Blair; U.S. George Bush; and French Jacques Chirac set a goal for themselves – to assist in actualizing the MDGs by each giving 0.7 per cent of their national income as aid to the poorest countries of the world. This promise was again reiterated in September 2002 during the Johannesburg Summit.

The 0.7% Official Development Assistance commitment means that, for every $100 earned by citizens in these rich countries, 70 cents will be donated towards meeting the MDGs and eradicating global poverty.

Five other OECD countries (Spain, Ireland, Finland, Belgium and France) later joined this promise, bringing the total number of volunteer countries to 27.

Five years after, only five countries (Sweden, Denmark, Norway, Netherlands, and Luxembourg) have fulfilled their promise while others are at different stages of doing so.

It is pertinent to note that 6 of the volunteers – United States, Japan, Canada, Australia, Switzerland, and New Zealand – are yet to develop a schedule to give the 0.7% aid.

"In fact, each of the yearly assessments of promises that Social Watch has studied since 1996 has shown that, by and large, developing countries have been closer to meeting their commitments than developed countries. And different independent evaluations show that among them, the members of the G7 are those lagging furthest behind". Social Watch Report; 2005

Has the world really done enough to alleviate, if not eradicate global poverty?

Where Developed Economies Could Help:

The five major areas where developed economies could assist in actualizing the MDGs are – aid, fair trade, FDI, debt forgiveness, and technology skills transfer.

Available statistics show however that the expected support in these areas is yet to come. According to the recent 2007 United Nations Millennium Development Goals Report,

"In 2005, aid rose to a record $106.8 billion due to large debt relief operations, most notably for Iraq and Nigeria. It has since dropped back, with official aid for 2006 showing the first decline since 1997. Aid is expected to continue to fall in 2007 as debt relief declines further… Aid to the least developed countries has, in effect, stalled since 2003 - despite the G8 agreement at the 2005 Gleneagles summit to double aid to Africa by 2010"

In addition, unfair trade terms persist in the global market. Many developed economies are yet to suspend their controversial agricultural subsidies which make the export commodities of Third World countries uncompetitive in the international market.

FDI flow to the Third World remains below 5% of global flow. Debt forgiveness promises remain mostly that – 'promises'. Ironically, as poor countries are being urged to actualize the MDGs, many of them still spend as much as 40% of their GDP on external debt management annually.

In the face of growing global poverty and lack, selfish national interest remains the driving force behind the foreign policy decisions of many rich nations, while Third World challenges are treated as issues for another day.

As a result, *"promises have remained largely unmet. Unless substantial changes are put in place soon, the targets set for the year 2015 will not be achieved"*… Social Watch Report 2005

So, Will the Targets be met?

No doubt, some of the MDG targets will be met by 2015. By sheer human nature, with or without the MDG, surely some progress must be expected in the human condition within a period of 25 years. The major difference a successful Millennium Declaration would have accomplished is to expedite the pace of this progress.

If the MDGs are not met come 2015, the following would be some of the major factors responsible for the failure:

- Inadequate global support and commitment
- Abject poverty is itself a major reason why the Third World might not meet the target. The $195 billion an-

nual requirement is way out of the reach of the poor countries
- Inadequate political will by the national governments
- Socio-political unrests in most poor countries
- Widespread corruption among public office holders
- Poor FDI inflow
- Inadequate funding for infrastructure development
- Inadequate manpower development.

HOW IS AFRICA FAIRING WITH MDG?

According to the United Nations, the number of people living on less than $1 a day fell to 980 million in 2004, down from 1.3 billion in 2000. The UN is optimistic that if progress continues at this pace, the MDG could be actualized.

But progress has not been evenly spread. While developing economies like China are moving rapidly, most African economies are not.

Available studies reveal that the proportion of people living in extreme poverty in Africa, (excluding North Africa) increased from 44.6 per cent in 1990 to 46.5 per cent in 2001, defying a global reduction from 27.9 per cent to 21.3 per cent within the same period.

HIV/AIDS remains on the rampage; with the continent accounting for 2.3 million or 74.2% of 3.1 million AIDS deaths recorded in the world in 2004. While the global HIV/AIDS prevalence rate is estimated at 1 per cent, that of Africa is an average of 8.5 per cent.

The continent remains the lowest recipient of global FDI inflow, accounting for about 2.7% in 2006. Corruption, illiteracy, poverty and hunger fuel conflicts in many African countries, with the refugee situation ever worsening.

African women's risk of dying from pregnancy related complications is 1 in 16, compared with 1 in 3,800 in the developed world; life expectancy now averages 45-50 years in the continent.

While progress has been made in some key areas, including universal basic education and secondary school enrolment, the quality of education remains mostly substandard and in dire need of overhaul.

SPECIFIC CASE STUDIES

South Africa:

South Africa, the leading African economy, seems more poised to meet the MDGs than any other country in the continent.

Long before the Millennium Declaration, South Africa, owing to its recent emergence from apartheid rule in 1994, had set for itself targets similar to those of the MDGs – as part of its Reconstruction and Development Programme.

South African economy has experienced steady yearly growth since 1994, averaging about 3- 4%.

Will South Africa Meet the MDG?

A review of South Africa's Millennium Development Goals Report 2005 shows that, most likely, much of the MDG targets will be met.

Goal 1 - National estimates of poverty in South Africa shows that as at 2000, 11% of the population lived on less than US$1 a day; and 34% on less than US$ 2 a day.

The proportion of poorest South Africans has been decreasing since then in response to poverty eradication measures which include a relatively robust social welfare system and a Comprehensive Agricultural Support Programme, amongst others.

Cape Town, South Africa

Goal 2 - At about 6% of GDP, education is South Africa's single largest budget item and amongst the highest in the world. As a result, between 1996 and 2000, schools became less crowded, with the average number of learners to a classroom decreasing from 43 to 38.

Net primary enrolment rate has remained steady at about 95.5% since 1995 and secondary participation rates are currently approximately 85%.

Goal 3 – Girls already outnumber boys in secondary school enrolment. At the tertiary level, women accounted for 48% of total university enrolment even as far back as 1990. By 2001, the female to male ratio for higher educa-

Summary of Literacy Rate in South Africa

INDICATORS	Database1	Database2	Database3	2015 MDG Target	Progress Towards Target
Primary net enrolment ratio (%)	88 (Census 1996)	94 (Census 2001)	96 (LFS 2004)	100	Improving
People aged 17 years who have successfully completed a minimum of primary education (%)	81 (Census 1996)	84 (Census 2001)	-	100	Improving
Literacy rate of 15-24 years old (%)	95 (OHS 1996)	96 (GHS 2003)	98 (LFS 2004)	100	Improving

Sources: South Africa's Millennium Development Goals Report 2005

Gender Representation in the National Assembly 1994 - 2004

	Women	Men	Total	% Female
National Assembly				
1994	101	299	400	25%
1997	111	289	400	28%
2003	125	271	*396	32%
2004	132	268	400	33%
NCOP*				
1994 (Senate)	16	74	90	18%
1997	8	46	54	15%
2003	20	34	54	37%
2004	19	35	54	35%

Source: South Africa's Millennium Development Goals Report 2005

Child mortality in South Africa

INDICATORS	1998	2002 (Preliminary)	2015 MDG Target	Progress Towards Target
Neonatal mortality rate (per 1000 live births)	20	-	-	The targets are potentially attainable taking into account free primary health care access
Infant mortality rate (per 1000 live births)	45	44	15	
Under-five mortality (per 1000 live births)	59	60	20	
Proportion of 1 year old children immunized against measles	72	(2003 estimates) 78	90	

Sources: South Africa's Millennium Development Goals Report 2005

Access to safe drinking water and sanitation in South Africa

INDICATORS	1994	2004	2009 (Target)	2015 Target	Progress towards target
Proportions of total population with access to an improved water source (%)	60.1	78.7		80.1	Good
Proportion of rural population with access to an improved water source (%)	44.4	63.6		72.2	Good
Proportion of urban population with access to an improved water source	70.3	87.7		85.2	Achieved
Proportion of total population with access to basic sanitation (%)	48.7	63.7		74.4	Good
Proportion of rural population with access to basic sanitation (%)	32.5	44.5		66.3	Slow
Proportion of urban population with access to basic sanitation (%)	58.8	76.9		79.4	Good

Source: South Africa's Millennium Development Goals Report 2005

tion had risen to 115:100.

Goals 4 & 5 – According to 1998 official statistics, neonatal mortality rate in the 1993 – 1998 period was 20 deaths per 1 000 live births; infant mortality rate was 45 deaths per 1 000 live births, while under-five mortality rate was 59 deaths per 1000 births.

Statistics for 2003 suggest that infant and under-five mortality rates have remained relatively constant since the 1998 estimates, decreasing by 0.5% and 0.3% respectively – thanks to the Free Health Care policy.

Goal 6 – South Africa has one of the highest incidences of HIV/AIDS per capita in the world. To tackle the problem**,** expenditure on HIV/AIDS programmes has been increased from about R30 million in 1994, to R3.6 billion in 2005/06.

Tuberculosis is being tackled through the National Tuberculosis Control Programme established in 1995; while malaria prevention and treatment has also received significant attention. The number of malaria cases dropped from 64,622 in 2000 to 26,506 in 2001 and 15,619 in 2002. Malaria deaths in 2001 were 74% less than in 2000.

Goal 7 – Since 1994, a range of legislative, policy and institutional developments have been put in place to ensure a better environment. Between April 1994 and March 2005, approximately 2.4 million housing subsidies were approved. During the same period, 1.74 million housing units were built.

Access to sanitation increased from 49% of households in 1994 to 63% in 2003, while households with access to clean water increased from 60% in 1995 to 85% in 2003.

As the country's official MDG report shows, South Africa seems very likely to meet the Millennium Declaration targets within the stipulated time and even surpass some.

Challenges that must be overcome however would include regional disparity in progress and the availability of reliable national data for effective monitoring and planning.

Egypt:

One of Africa's top five economies, Egypt has taken significant strides towards achieving the MDGs. A major factor in the country's effort is ongoing structural and economic reforms and a determined effort to increase national productivity.

Egypt has been successful in reversing a trend of declining growth that persisted since the mid 1980s. From 1997 to 2002, real GDP grew at an average of. 4.7 percent, real per capita GDP grew at 3.6 percent, and inflation was brought down from a high of 21.1 percent in 1991-92 to an average of about 5 percent today.

Will Egypt meet the MDG?

To answer this question, we will examine a recent World Bank report entitled "Egypt and the Millennium Development Goals; Challenges and Opportunities".

Goal 1 – As at 1999-2000, 16.7 percent of the population, (about 10.7 million people) lived below the poverty line (less than $1 per day); while overall measurement of poverty was put at 42 percent or about 26.9 million people.

Compared with the poverty level during the 1990-91 period, this shows a decline by about 10% for those living on less than $1 per day and a decline by 58% for those living on less than $2 per day.

Goal 2 – Egypt has engaged in series of education reforms since the 1990s to enable it improve the standard and access to education in the country.

Net enrolment ratio at the primary level in 2000 was 97 percent, a marked improvement over the 92 percent achieved as at 1996; and an indication that 100% enrolment is possible by 2015

Since 1990 there has been 33 percent increase in public expenditure per student at the pre-university level and a corresponding 45 percent decrease in per student expenditure in higher education.

Goal 3 – Gender inequality is a major issue in Egypt that government has made concerted efforts to address, especially through greater access to education and job opportunities for women.

Gender disparity in education is closing quickly even though there are still significant regional and urban/rural disparities.

In primary education, net enrolment for girls increased from 87.5 percent in 1996-97 to 96.2 percent in 2001-02; while boys' enrolment increased from 93.9 percent to 99.6 percent over the same period.

In secondary education, the number of girls enrolled in 2000-01 exceeded the number of boys. Girls' enrollment increased from 44.2 percent in 1991-92 to 50.5 percent of the total enrolment in 2000-01.

In literacy rate, the gender gap is however more pronounced. According to the 2002 Government Statistical Yearbook, 50 percent of women are illiterate, compared to 29 percent of men and 39 percent for the total adult population.

Also, unemployment is much higher for women than for men, with a moderate 5.1 percent rate for male as against 19.4 percent rate for female.

In Egypt, women are most likely to be employed in the civil service, or in the education and agriculture sectors. In political participation, the gap between male and female remains high even though the constitution clearly spells out equal rights for both sexes.

Goal 4 – Over the last two decades, Egypt has achieved significant improvement in its health system following extensive investments in health service infrastructure.

By 2000, about 92 percent of children were fully immunized, up from 84 percent in 1998. Under-five mortality rate was 41 deaths per 1,000 live births, down from 104 in 1990, and representing an annual 8.0 percent decline.

By 2001, infant mortality ratio was estimated at 33 deaths per 1,000 live births, which is a significant reduction from 73 in 1997 and 76 in 1990, representing an annual 6.9 percent decrease.

According to World Bank calculations, for the MDG target to be achieved, infant mortality ratio would have to be 25.3 by 2015. At this rate, Egypt seems set to meet the target.

Challenges that must be addressed in the country's health sector however include regional, gender and class disparities in access to health services.

Goal 5 – The goal of the Egyptian government is to reduce maternal mortality rate to at least 50 per 100,000 live births by 2010.

The 2000 National Maternal Mortality Study recorded a significant decline in maternal mortality - from 174 in 1992-1993 to 84 deaths per 100,000 live births in 2000, a decline of more than 50%, which represents an annual decrease of 8.7 percent. This dramatic decline is attributed in part to government's efforts at improving the quality of obstetric care, access to family planning services, and training for traditional birth attendants.

If the current pace of improvement is sustained, the MDG target of 42.5 deaths per 100,000 live births could be achieved come 2015.

Goal 6 – Egypt has made impressive progress in public health programs over the last two decades.

The incidence of Malaria has declined from 4 per 1,000 population in 1990 to almost zero in 2000.

HIV/AIDS prevalence is relatively low in Egypt. According to the HIV/AIDS Surveillance Report of January 2003, of a total of 5 million people tested within the period 1990 to 2003, only about 1,711 persons were certified to be living with HIV/AIDS. Of this figure, 1,153 were Egyptians and 558 were foreigners. Government's goal is to keep the scourge within firm control through active prevention programmes and public awareness campaigns.

Goal 7 – As at 2000, more than 80 percent of the population had access to clean water, though with major regional discrepancy - 95.7 percent of the urban dwellers as against 66.8% for the rural. Also, 99.6 percent of the urban population, and 78.2 percent of the rural have adequate sanitation in their homes.

Water scarcity will be a critical challenge for the future of Egypt. Per capita water availability in Egypt is about 950 cubic meters per year, even lower than the regional average of 1,200 cubic meters per year. The water availability problem is compounded by high incidences of environmental degradation, water logging and the decreasing flow of the Nile River.

Egypt would likely meet targets for infant mortality; under-five mortality; contraceptive prevalence; primary and secondary enrolment; and access to safe drinking water.

However, other targets such as gender equality, especially in employment and political participation might prove difficult.

Unlike most developing countries, Egypt has experienced a low level of overall poverty incidence as well as a remarkable decline in poverty during the last decade. Poverty reduction was declared as one of the main objectives of the long-term plan in Egypt, which aimed to reduce poverty to 6 percent by 2022. Like South Africa, Egypt looks good to meet much of the MDG targets.

MDG Goals and Targets: Summary of Likelihood of Achievement in Egypt

MDG Goal	Targets	Prospects for Achieving Target			
		Likely	Possible	Unlikely	Data Inconclusive/Not Available
Eradicate extreme poverty and hunger	Reduce by half the percentage of the population living in poverty		X		
	Reduce by half the prevalence of underweight among children				X
Achieve universal access to education	Attain 100 percent primary school enrolment by 2015		X		
Promote gender equality and empower women	Reduce the gender gap in primary and secondary enrolment and literacy among 15-24 year olds by 2005			X	
	Increase the share of women in non-agriculture employment and in the national parliament			X	
Reduce infant and child mortality	Reduce infant and child mortality between 1990 and 2015 by 2/3	X			
Improve maternal health	Reduce the maternal mortality ratio by between 1990 and 2015	X			
	90 percent or over of all births attended by a skilled staff by 2015	X			
Combat HIV/AIDS, malaria, and communicable diseases	Slow the rate of HIV/AIDS				X
	Increase contraceptive prevalence	X			
Ensure environmental sustainability	Reduce by half the percentage of the population without access to safe drinking water between 1990 and 2015	X			

Source: Egypt and the Millennium Development Goals, Challenges and Opportunities; Sameh El-Saharty, Gail Richardson and Susan Chase; IBRD/The World Bank; February 2005

Kenya:

KENYA is one of the African countries selected in 2002 by the UN Secretary-General to pilot the implementation of the Millennium Project. The others are Ghana, Senegal and Ethiopia.

Five years on, there are fears that most targets set by the MDGs might not be met by 2015.

The Kenyan economy has experienced relative stagnation in recent times, with an annual average growth of about 1.5%, far below the population growth estimate of 2.5% per annum, and a far cry from the projected 7% growth rate necessary to support the implementation of MDG from now till 2015.

The economic situation has been worsened by declining donors' inflow (now put at $0.75 per capita, against Sub-Saharan Africa's average of $21); slow economic reforms; natural factors such as droughts, famine, and poor agricultural outputs; fall in commodities pricing in the international market; corruption in public service, etc.

Will Kenya meet the MDG?

To attempt this question, we will be doing a review of "Millennium Development Goals in Kenya; Needs & Costs", as reported by the Kenyan Ministry of Planning and National Development in conjunction with the UNDP; 2005.

Goal 1 – It is reported that the proportion of Kenyans living below the poverty line is on the increase with the urban population accounting for the highest proportion of increment.

While the population of the absolute poor was an estimated 44.7% in

1992; it rose to 52% in 1997; and to 57% in 2002. About 17 million Kenyans currently live on less than $1 a day.

To make matters worse, the formal sector has been unable to create more than 80,000 jobs in the last 6 years, even though 500,000 job seekers enter the labour market every year.

Within the national government of Kenya, there are already concerns that if ongoing trends are not reversed, "65.9 per cent of the Kenyan population would be living below the poverty line by 2015".

Goal 2 – Between 1990 and 2002, Kenya recorded a decline in the net enrolment rate from 80% to 74% due mainly to an education cost sharing policy.

The introduction of free primary education in January 2003 however led to a significant reversal of the trend. By 2003, enrolments in public primary schools increased, from 5.9 million in 2002 to 6.9 million. However, primary education in Kenya is still plagued with the fundamental problems of overcrowded classrooms; inadequate learning facilities and high pupil-teacher ratios.

Goal 3 – In Kenya, gender inequalities persist in access to education, employment, public offices, etc. Women remain significantly underrepresented in parliament, accounting for 8.3% of the seats in the National Assembly. There are also cases of discriminatory wage gaps to the disadvantage of women.

However, the introduction of free primary education programme has accorded some equal educational opportunities to boys and girls, resulting in almost gender parity in primary school enrolment. In secondary education, the boys' to girls' ratio is also very close despite regional disparities. The major area of concern however is in tertiary education where the males far outnumber the females.

Goals 4 & 5 – According to official reports, mortality rate is high in Kenya; life expectancy is declining; while fertility rate is on the rise.

Infant mortality in 2003 was 77 per 1000 live births, while under-five mortality was 115 per 1000 live births. Only 40% of births are delivered using health facilities and only about 60% of children between the ages of 12-23 months receive full vaccination against the killer diseases.

On the other hand, maternal mortality was estimated at 414 per 100,000 live births in 2003, with about 14,700 women of reproductive age dying of pregnancy-related complications.

Excluding rehabilitation of health infrastructure and the construction of new ones, Kenya has estimated that it would spend approximately $274.69m to actualize its health intervention plans for Kenyan children between 2005 and 2015. To achieve set targets for maternal mortality control between 2005 and 2010, it would require about $36.167m.

Goal 6 – According to the National AIDS Control Council, there are more than 3 million people currently infected with HIV/AIDS in Kenya; and more than 2 million have so far died of complications resulting from the disease, leaving behind over 1.5 million orphans.

Kenya has relatively high HIV/AIDS prevalence per capita, though there has been a decline in recent years. In 2003, available records show a prevalence rate of 6.7%, down from 14% in 2001. That year, only about 20,000 infected people had access to anti-retroviral drugs.

Egypt: Poverty Measures (1990-2000) and Projections for 2015

	1990 - 91	1995 - 96	1999 - 00	Projections 2015
Lower National Poverty Line Headcount	24.32	19.41	16.74	10.80
Poverty Gap (National Poverty Line)	7.08	3.39	2.97	2.06
National Poverty Line Headcount	49.27	51.43	42.63	30.25
Poverty Gap (National Poverty Line)	16.98	13.92	10.83	7.16
Poverty Line at US 1$/day PPP Headcount	8.241	2.497	0.682	0.88
Poverty Gap	2.273	0.325	0.073	0.20
Poverty Line at US 2$/day PPP Headcount	39.45	41.52	24.84	16.49
Poverty Gap	12.41	9.93	5.00	3.33
Food Poverty Line	8.93	3.05	2.87	1.94

Source: Egypt and the Millennium Development Goals, Challenges and Opportunities

Among other health hazards, at least 20 million Kenyans live in malaria prone areas, which is a major threat especially to children and pregnant women.

While government has adopted series of health improvement initiatives such as the Role Back Malaria, Kenya Expanded Programme of Immunization (KEPI), Control of Diarrhoeal Diseases and Acute Respiratory Infections, etc, a major problem still persists in the health system, especially in terms of accessibility to healthcare services.

Even as the MDG targets get more pressing, it is pertinent to note that, from $10 in the 1980s, Government per capita expenditure on health care has declined in real terms to about $3.0. A sad trend.

Kenya's Demographic and Health Survey indicate that health services in the country are on the decline. And unless far-reaching measures are taken to revert the trend, the country's chances of meeting goals 4, 5, and 6 of the Millennium Declaration would be, at best, very slim.

Goal 7 – Access to safe water is one of the major expectations of the MDG. Currently, an estimated 89.7% urban dwellers have access to clean water; while for the rural areas, it is a paltry 43.5%. The national average is about 57%.

About 94.8% of the urban population also has access to safe sanitary means as against 76.6% in the rural areas. The national average is about 81%.

The Kenyan's natural environment has been exposed to pressure and encroachments, and a deliberate environmental preservation strategy must be devised as part of the Millennium development target.

Like many other African economies, Kenya has entered into series of multilateral and bilateral partnerships in its quest to alleviate poverty. Kenya has estimated that it would require about $5.5 billion per annum to meet the Millennium Development Goals; while for the period 2005-2015, a total of $61 billion would be required. A figure far beyond reach of the country.

If recent statistics from its National Bureau of Statistics is anything to go by, Kenya is showing signs of quick economic recovery, having advanced by a robust 6.1% in 2006 after a 5.7% GDP growth in the preceding year.

However, with a GDP currently put at a mere $40 billion, will Kenya ever meet the MDGs without massive international support?

Nigeria:

With Nigeria's massive population and strategic positioning in the black race, it is very easy to conclude that, *"Whether Africa attains the Millennium Development Goals (MDGs) depends to a large extent on Nigeria's success in reducing poverty. . .. Unless Nigeria reduces poverty, the Millennium Development Goals (MDGs), both in Africa and globally, will not be achieved"*. The UK Department for International Development (DFID); Country Assistance Report 2004

Ranking among the top 10 crude oil producers in the world, it is amazing that the economy is far from 'breaking even'. This of course is attributed to over 3 decades of mostly corrupt military rule, infrastructure neglect and a huge population relative to its income.

Will Nigeria Meet the MDG?

To answer this question, we will analyze reports on Nigeria's MDG progress prepared by Nigerian government agencies, multilaterals, and the UK Department for International Development (DFID).

Goal 1 – In three out of the 6 geographical regions in Nigeria, poverty level averages 70%, even though the national average (2006) is about 54%. Nigeria's rapid urbanisation, put at over 5% per annum, puts severe pressure on ailing infrastructure, and further intensifies youth unemployment, now at about 14%.

Relative progress has been achieved in per capita income, which has risen significantly from a paltry $300 average between 1980 and 2000 to about $1,400 in 2006; yet poverty is still highly pervasive, raising serious concerns about the possibility of meeting the 2015 target.

Summary of costs of achieving the MDGs in Kenya (USD million)

Intervention	Annual Expenditure	2005-2015
Hunger	854	8,525
Education	360.9	3,969
Gender	183.4	2,017
Maternal, Child Healt h & Health System	30.9	339.9
HIV/AIDS, Malaria & other Diseases	754.4	8,298
Environment	85.7	943
Energy	876.8	9,644.8
Water & Sanitation	74.2	816.6
Slums Improvement	907.2	9,980.0
MDG- Other Enabling Sectors	1498.3	16,481.3
Grand Total	**5,546.7**	**61,014.6**

Source: "Millennium Development Goals In Kenya: Needs & Costs"; Kenya Govt. &UNDP; 2005

Gaol 2 – From having one of the best educational system in Sub Saharan Africa in the 1980s, net enrolment in primary school between 1995 and 1999 fell, from 64% to 55%. Reports indicate that at least 7 million children of primary school age are not enrolled in school; and about 62% of these are girls.

With the recent introduction of the UBE and free education in the primary school level, Nigeria still has a chance to meet the MDG target. However, to achieve 'Education of All', an additional $650 million per annum would be required.

Goal 3 – There is still a high incidence of gender inequality in Nigeria, with very glaring regional disparities.

In school enrolment for example, there are some

Northern states where only one of four girls of primary school age goes to school, compared with one in three for males. The average gender gap in primary education across Nigeria's northern states is 30% and is almost 50% in two states.

In southern states however, gender gap is less pronounced as many states actually have more females in primary and secondary schools than male. In Nigerian tertiary institutions, the ratio is about 45:55, though with huge regional differences also.

According to the 2006 national population census, there are about 68 million females in the country, representing 48.8% of the total population. In the national assembly (2007), there are nine female senators out of the 109 elected; and 27 female reps out of the 360 members elected. About 8.3 per cent and 7.5 per cent, respectively. This is a far cry from the 2005 global average of 16.3% representation in national parliaments.

Goals 4 & 5 – Infant mortality rate in Nigeria is still relatively high, with UNDP statistics showing an increase from 191 per 1000 births in 1990 to 201 in 2003. Under-5 mortality rate on the other hand declined from 230 per 1000 in 1990 to 197 per 1000 in 2004.

Maternal morality ratio is put at 1000 per 100,000 births, and again, with huge regional disparity. According to a DFID report, "*there is a ten-fold difference in maternal mortality ratios between the North East and South West, and a five-fold difference in the proportion of the population lacking access to health facilities*".

The challenge before the Nigerian government is to bridge this huge gap and intensify efforts at improving infant, child and maternity mortality rates in the country within the next eight years.

Goal 6 – The World Bank estimates that only 63% urban dwellers have access to primary health care; for the rural areas, it is a dismal 48%.

Malnourishment is still prevalent in some regions in Nigeria, with the North being the worst hit.

An estimated 4 million Nigerians are living with HIV/AIDS, and only about 60,000 of these have access to anti-retroviral treatment. With a national prevalence rate of about 5.0%, the most vulnerable group are women aged 15-24. Orphans resulting from HIV/AIDS scourge are currently about one million.

Immunization coverage has fallen from around 30% in the early 1990s to 13% in 2003, while life-expectancy also fell from 49.1 to 47 years between 1991 and 2002. There are no available data that accurately measures the most current position.

The UNDP Human Development Report (2004) puts Nigeria's public and private sector expenditure on health as a percentage of GDP at only 0.8 and 2.6 respectively. The ratio of physicians is 20 per 100,000 people. Meanwhile in the United States alone, over 20,000 Nigerian doctors are known to be offering health services.

Goal 7 – Agriculture, forestry and fisheries remain the mainstay of over 80% of Nigerian rural dwellers, putting pressure on the country's forest and aquatic life.

Only about 65% of the Nigerian population currently has access to safe drinking water.

One of the greatest threats to the Nigerian environment however, is oil exploration activities. The 21 million population in the oil rich Niger Delta are continuously at risk, owing to incessant cases of oil spillages and pollution from gas flaring. Nigeria has set a new date of 2008 to stop gas flaring in the country, a factor that has been identified as a major cause of climate change in sub-Saharan Africa. Will this be achieved? Time will tell.

Nigeria requires huge international support and assistance to enable her meet her growth target, including the MDGs. Aid has been slow in coming owing to wrong assumptions about the country's oil wealth. But the world is getting it all wrong!

In 2006 for example, Nigeria generated about $16.3 billion from oil and gas sales. Considering its huge population, that amounts to a paltry US 0.32 cents per person, per day – a mere N38!

This is a strong indication that Nigeria, like most other Africa countries, may never meet the MDGs unless aid is increased; global trade terms become more favourable, foreign direct investment inflow increases significantly, and multilateral loans get even more concessionary.

> One of the greatest threats to the Nigerian environment however, is oil exploration activities. The 21 million population in the oil rich Niger Delta are continuously at risk, owing to incessant cases of oil spillages and pollution from gas flaring.

Nigeria has all the human and natural resources to transform it into a major global economy. A recent Goldman Sach study projected that Nigeria was quite capable of achieving one of the top 20 economies in the world by 2025.

The massive rise is crude oil prices in recent years and the more rapid growth in the non-oil sector is driving economic advancement, making it possible for the country to exit the Paris and London Club of creditors between 2005 and 2007.

From about 3.0% average, GDP growth in the pre-2003 years, Nigeria's real GDP now averages on yearly basis 5.5%, rising from 6.5% growth in 2005 to 5.6% in 2006. An 11% growth rate has been projected for 2008.

REDEEMING THE SITUATION - ISSUES TO ADDRESS

For most African countries, challenges to address in the chase to achieve the MDGs are enormous.

From the examples above, it is pertinent that all African governments address the setbacks in gathering quality and reliable data on human development progress. Without this, it would be difficult to ascertain if, and when the MDGs will be actualized.

Closely related to this is the need to deal with the huge regional and gender gaps in human development indices observed in the countries studied. Extreme poverty in rural Africa must be reduced through enhanced literacy, skills development, access to micro credit, etc.

Socio- political unrests must also be tackled if progress is to be achieved. In Nigeria for example, recent Niger Delta violence has led to a cut back in oil production by about 20%, a critical problem for a country that depends on oil revenue for over 90% of its foreign exchange and about 80% of total government revenue.

This brings to the fore the need for African economies to diversify their means of livelihood. Over dependence on commodity exports, as is the case in most countries makes them highly vulnerable to external shocks outside their control.

Fortunately, many African economies have recently adopted far-reaching structural and economic reforms, most of which are geared towards achieving macroeconomic stability; fiscal prudence; a private sector led, competition - driven environment necessary for rapid economic growth. This should be pursued with greater commitment and political will.

The millennium goals will remain a mere dream without massive infrastructure overhaul and development in Africa. Also of twin importance is the urgent need for manpower development through effective training and technical skills development. This would help to enhance national productivity and sectoral growth while also addressing the age long problem of unemployment.

The fight against illiteracy; high infant and maternal mortality; gender inequality; and child labour must become a national priority in all African countries, using rel-

MDG Challenge in Nigeria

Millennium Development Goal	Current Status in Nigeria
Extreme poverty to be halved between 1990 and 2015	70% of Nigerians live on less than $1 per day
Proportion of people suffering from hunger to be halved	29% of chldren are underweight
All children to complete primary education	Less than 60% of primary aged children attend school. 7 million primary aged children are not in school.
Eliminate gender disparity in primary and secondaryeducation by 2005	The number of girls enrolled in primary education is 77% the number of boys. Insome states it is less than 40%.
Reduce child deaths by two thirds between 1990 and 2015	One child in five dies before its fifth birthday, one child in ten before its first birthday.
Reduce deaths of mothers due to child bearing by three quarters between 1990 and 2015	One birth in a hundred results in the death of the mother. Women in northern Nigeria have a one in fifteen chance of dying through a pregnancy related cause.
Stop the spread of AIDS.	5% of Nigerians are infected with HIV – over 10% in some states. Over 1 million children have already been orphaned by AIDS.
Halve by 2015 the proportion of people without safe drinking water.	Less than 50% of the rural population has access to a safe water source.

Source: The UK Department for International Development (DFID); Country Assistance Report 2004

evant legislative backings to achieve set goals when necessary.

African countries must pursue technology adoption more vigously, using up-to-date ICT tools to achieve efficient and transparent public governance and improved productivity and service delivery in the private sector.

The prevalence of corruption, money laundering and self-enrichment among many African leaders must be halted if the continent is to move forward.

For example, Nigeria's Economic and Financial Crime Commission (EFCC) estimates that over $400 billion of Nigeria's oil wealth may have been stolen and laundered from Nigeria by political office holders in the last 30 years. An appalling revelation for a country where about 70% of the people live on less than $1 a day!

The current fight against corruption in many African countries must be taken beyond the federal and state government levels, to all local government councils, all government agencies and parastatals, and the private sector.

Lastly, it must be stressed that whether or not the MDGs are met by 2015 will depend significantly on the level of support from the international community, especially the developed economies and multilateral organizations.

This support is desperately sought in the form of increased foreign investment; fairer trade terms; outright debt forgiveness, and technology skills transfer. Without far-reaching global support, most African countries will not meet the MDGs. In Nigeria for example, the Ministry of National Planning recently disclosed that the country would require about $33 billion (N4.2 trillion) annually to meet the MDGs by 2015.

And as President Mwai Kibaki of Kenya opined,*"If the donor countries would have delivered on the global ODA commitment, aid would be US$165 billion a year, which is about three times the current level and above the current estimates of what is needed to achieve the MDGs"***.**

Now that we are halfway into the MDG schedule, surely, it is time to put an end to the age-long global procrastination and take decisive steps to halt this genocide; this holocaust, called poverty!

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

ZEQ DATABANK

- Ibrahim Abubakar

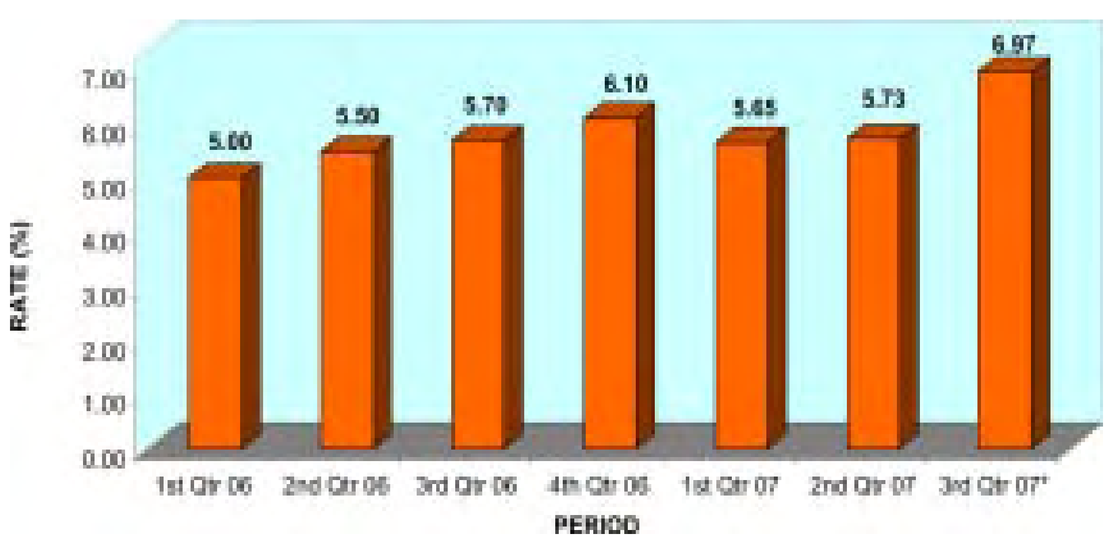
MACROECONOMIC ENVIRONMENT

The Nigerian macro-economy in the third quarter, 2007 continued with the trend in the second quarter, growth in several parameters. The major concerns during the period centred on the policy direction of the new administration. Some of the macroeconomic indices experienced slight appreciation while others recorded significant improvements. Gross domestic product (GDP) for the nation as at end of third quarter, 2007, according to the authorities, went up. Inflation, given prudent management by the monetary authorities took on a downward trend. The nation's foreign reserves also witnessed some rise in the period under focus, due mainly to rising prices of crude in the international oil market. The nation's currency, the naira, shot up in value against some major currencies of the world, most especially, the United States' dollar. The Monetary Policy Rate (the anchor rate) stayed the same throughout the quarter. Activities in the capital market experienced some haphazard trends: periods when they went up and at others, when they dropped. Oil producers, including Nigeria experienced improved earnings during the quarter owing to consistently rising crude prices.

GROSS DOMESTIC PRODUCT

In the third quarter, the non-oil sectors contributed remarkably to the growth of GDP just as it was in the second quarter. Agriculture led the other sectors. This period happened to be the harvesting season. However, abating youth restiveness in the Niger-Delta also gave the nation's GDP value a shot in the arm as oil companies improved on production operations. GDP figure went up by about 1.21 per cent; from 5.73 per cent achieved at the end of quarter-two to about 6.97 per cent for quarter three. This is attributable to many factors including bumper harvest, given the 'good' rains in the period between planting and harvesting season as well as return of relative calm in the Niger-delta. In addition, favourable crude prices in the international oil market also helped. The stability in the prices of refined petroleum products during the quarter also aided the rising trend in GDP.

GDP GROWTH RATE (Q1 06 - Q2 07)

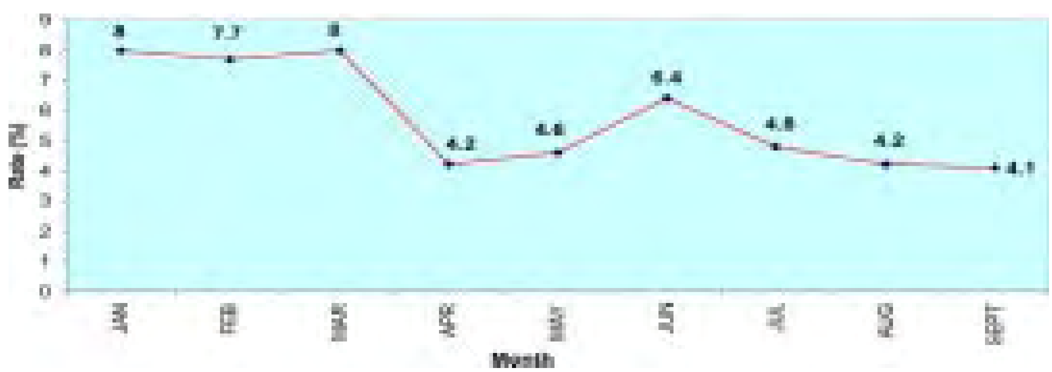


Source: CBN/Research &Economic Intelligence Group, Zenith Bank

INFLATION

In the third quarter, inflation went down by about 250 basis points; from 6.4 per cent as at end-Q207 to 4.1 per cent for end-Q307. For Inter-month changes in trend, inflation witnessed the highest marginal drop between the last month of the second quarter and the beginning of the succeeding quarter when it moved from 6.4 per cent to 4.8 per cent. A whopping fall of about 160 basis points in a single month! The drop rate, however, slowed down in the month of August to about 4.2 per cent. Finally, it dropped by a mere 10 basis points in the last month of the third quarter. This trend in inflation rate is attributable to the stable prices of petroleum products (locally) during the quarter as well as the impact of the low prices of some foodstuffs due to harvesting season. This impacted on the consumer price index for the period.

INFLATION RATE, YEAR ON YEAR (JAN. 07 - SEPT. 07)

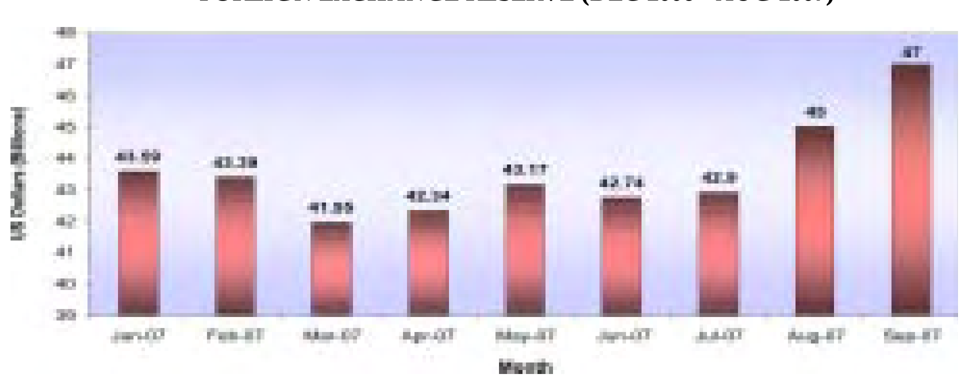


Source: NBS/ Research & Economic Intelligence Group

EXTERNAL RESERVES

The nation's foreign reserves position in the quarter in focus went up remarkably. The trend was sharply different from the previous quarter which was creeping. External reserves rose by about 9.97 per cent in the quarter; from US$42.74 billion as at end-second quarter to US$47billion. This is the highest the nation's foreign reserves position has ever attained. The largest inter-month net addition took place between the months of July and August when they went up by US$2.1billion. On the other hand, net addition was the least between end-June and end-July, when reserves merely rose by US$160million. The favourable price movements in the international crude markets were a major push to the nation's net earnings, especially in the second and third months of the third quarter. At the present level of US$47billion, the nation's external reserves could finance as much as forty months of Nigeria's foreign exchange disbursements and commitments.

FOREIGN EXCHANGE RESERVE (DEC 2006 - AUG 2007)



Source: CBN/Research & Economic Intelligence Group

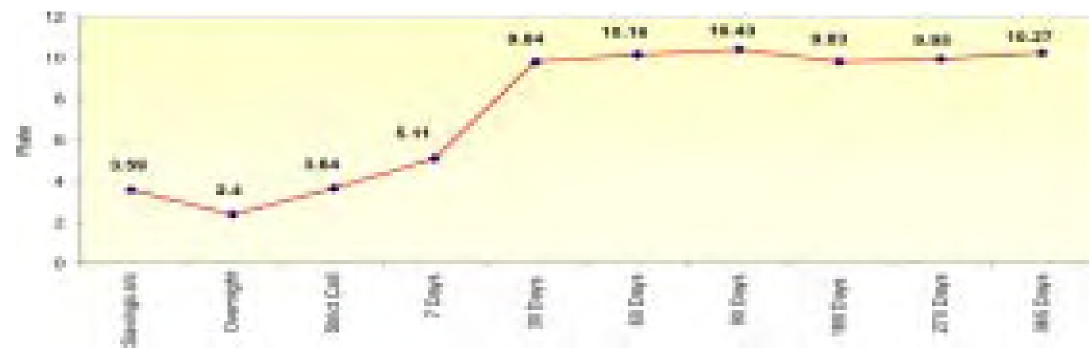
INTEREST RATES

The major benchmark for other rates in the country, the monetary policy rate (MPR) stayed unchanged in the quarter. The Central Bank of Nigeria (CBN) had in the second quarter brought down the MPR by 200 basis points; from 10 per cent to 8.0 per cent. In the process, the interest rate corridor was also narrowed; from 300 basis points to 250 upper and lower bands. In the third quarter, the average prime lending rates (PLR) were 17.63 and 17.71 per cents for overdrafts and loans, respectively.

The movements of the PLR in the period were a bit haphazard. PL rates were the lowest at the mid-period of the quarter with 17.50 and 17.65 per cents for overdraft and loans, respectively. At the end of the quarter, they had risen to 17.70 and 17.75 per cents for overdraft and loans, respectively. Benchmarked against the previous quarter, PLR for the quarter dropped by about 7 basis points for overdraft and 4 basis points for loans. Analysts and money market watchers argue that excess liquidity in the system during the reviewed period had largely contributed to the drop in PLR.

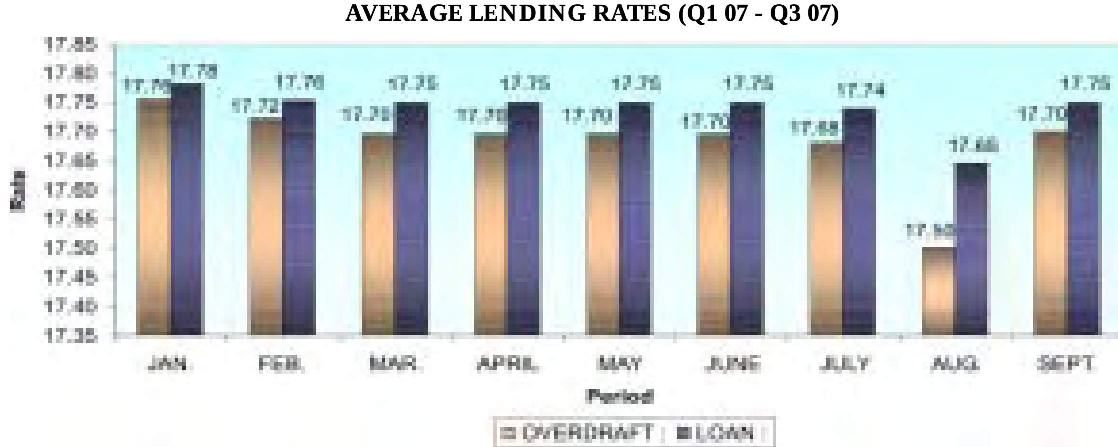
For the inter-bank rates, there was similarity in movements for all the investment horizons as they all went up compared with the previous quarter on the average by 42, 109 and 70 basis points for 7, 30 and 60 days, respectively. For the other periods, they also went up by 49, 24 and 19 basis points for 90, 180 and 365 days, respectively. In the inter-month periods of the 3rd quarter, rates for longer investment horizons were relatively stable, with some negligible upswings and downswings which cancelled out. However, there was a noticeable drop of over 3 per cent on rates for 7 days periods. This is because banks' vaults were awash with liquidity that could take care of the pressure of short term demand exigencies while they focused more on longer tenured funds.

AVERAGE SAVINGS RATE SEPTEMBER 2007



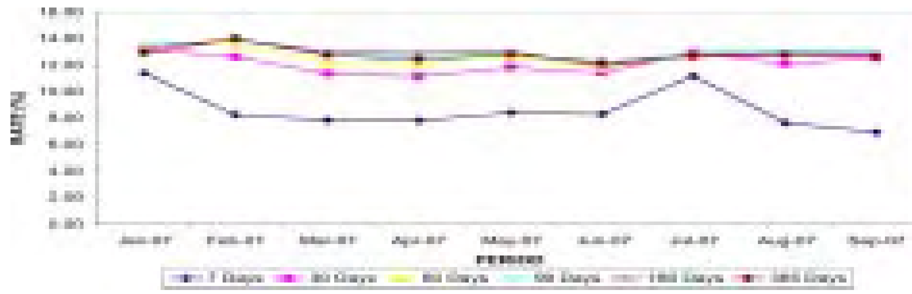
Source: Money Market Association of Nigeria (MMAN) / Research &Economic Intelligence Group, Zenith Bank

AVERAGE LENDING RATES (Q1 07 - Q3 07)



Source: Money Market Association of Nigeria (MMAN) / Research &Economic Intelligence Group, Zenith Bank

MONTHLY AVERAGE NIBOR RATES (JAN-SEPT '07)



Source: Money Market Association of Nigeria (MMAN) / Research &Economic Intelligence Group

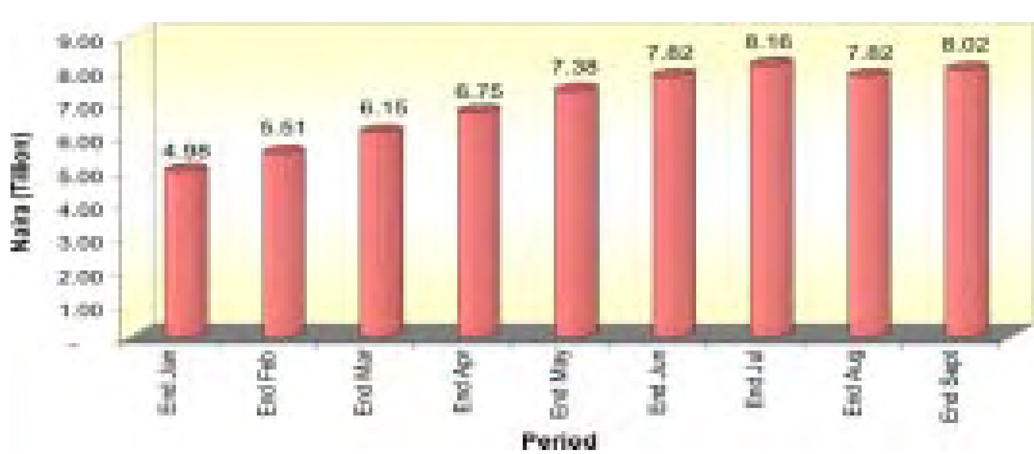
CAPITAL MARKETS

Two critical indices (market All-share index {ASI} and market capitalisation {MC}) for measuring the performance of the stock market showed a similar trend during the quarter. The ASI and market capitalisation both went up in the month of August but dropped in the succeeding month. For inter-quarter comparison, the ASI and MC both appreciated in the third quarter against values, achieved during the second quarter. The All share index value rose by about 0.45 per cent; from 51,330.46 at the end of quarter-two to 51,561.07 as at the last trading day of September. On the other hand, market capitalisation too, moved up from N7.819trillion achieved as at the end-June to N8.161trillion as at end-September; a rise of about 4.4 per cent.

Generally, a comparison of the growth rate of the market in 3rd quarter against 2nd quarter, showed some decline. Factors responsible for this development include the downward adjustments of some blue chip stocks as a result of both dividend and bonus issues. For instance, Zenith Bank issued 1 unit for every 4 units already held as at its year-end June, 2007. First Bank also gave bonus of 1 unit for every 6 units of its shares already held. Other factors that affected the growth of the market for the reviewed quarter are increased activities in the primary market through public offerings, initial or otherwise.

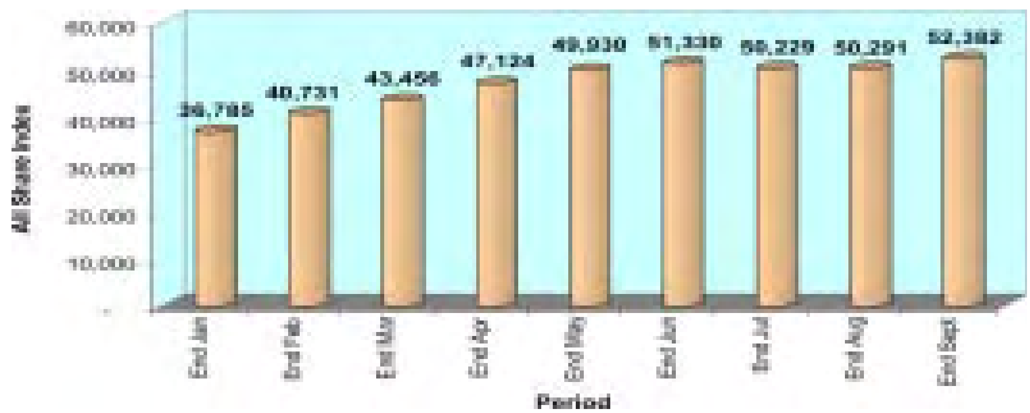
Also, the suspended naira redenomination exercise announced by the CBN on August 14th had its impact on the market as investors, being in the dark as to its real meaning and effects on the market, decided in favour of asset switching. This investment decision caused massive movement of funds from the stock market to less risky assets like real estate and property with less uncertainty.

NSE MARKET CAPITALISATION (JAN - SEPT. 2007)



Source: NSE / Research & Economic Intelligence Group

ALL SHARE INDEX (JAN - SEPT 2007)



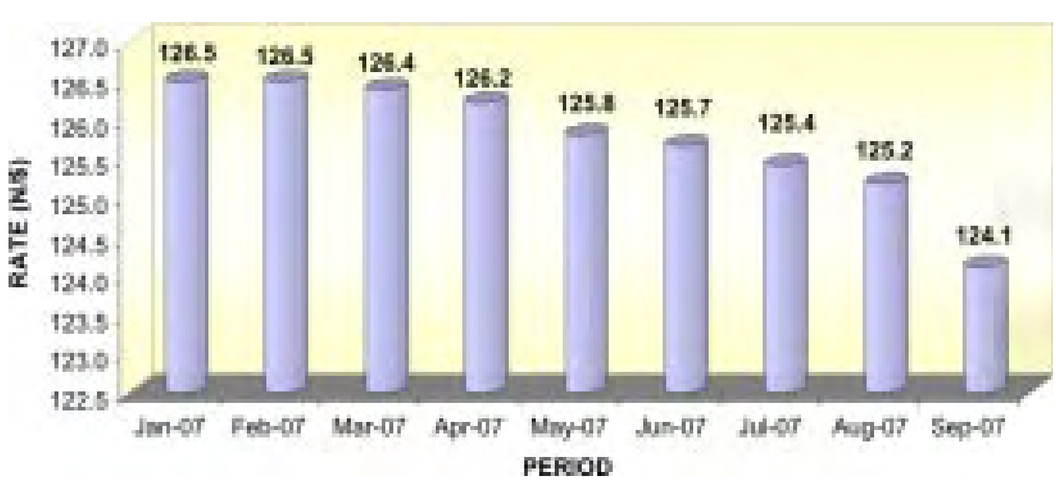
Source: NSE / Research & Economic Intelligence Group

EXCHANGE RATE

The nation's currency, the naira, firmed up in the third quarter. It went up against the United States' dollar by about 1 per cent; from N125.4/US$ to N124.1/USS. A gain of about N1.30k on the dollar. It was a steady appreciation for the naira against the dollar in the period as it went from N125.7/US$ in June to N125.4/US$ in July. August witnessed further firming up of the local currency to N125.2/US$. The naira made the biggest gains on the dollar in the month of September by over N1.10.

Foreign exchange experts and analysts have attributed the rise of the value of the naira against the dollar to several factors. Some of these are: increased international currencies injection into the Nigerian markets by multinationals, especially oil companies; more investment outlets opened to international investors, like the bond market; increased sales of foreign exchange by the CBN and of course, the rising trend in the nation's foreign reserves.

EXCHANGE RATE OF N/US$ (JAN-JUN '07)

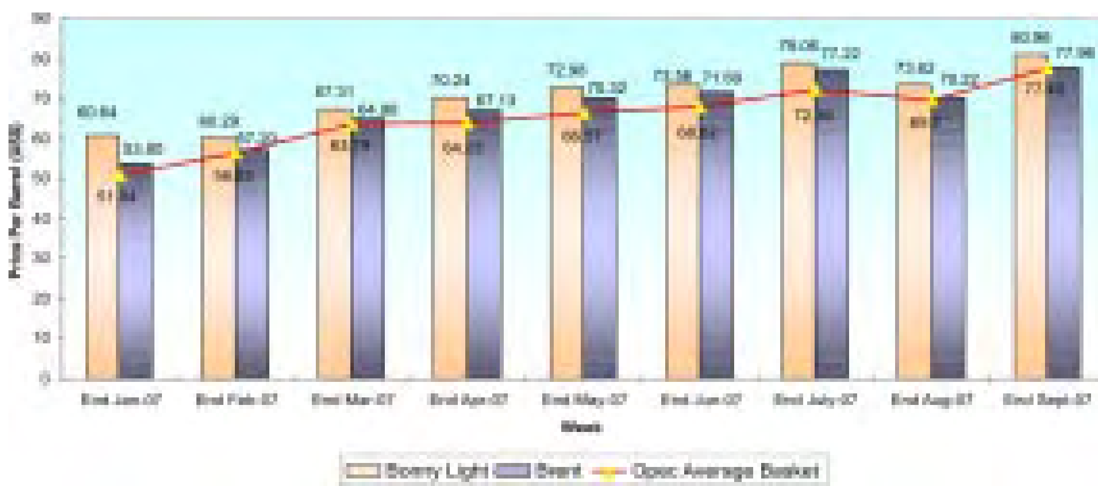


Source: CBN / Research & Economic Intelligence Group

OIL PRICES

The international crude market in the third quarter witnessed surging oil prices, translating into more revenues for many oil-producing nations, including Nigeria, while the oil-importing nations, especially the Unites States, were hard hit. Nigeria's crude oil production increased by 4.2 percent; from 2.059 million barrel per day in June 2007 to 2.145 million barrel per day in August. Nigeria's brand of crude (Bonny Light) witnessed some 10.1 per cent rise in price; from US$73.56 per barrel as at end-June to US$80.56 at the close of the quarter. On the other hand, the rise of the Organisation of Petroleum Exporting Countries (OPEC) basket fell short by about 3 per cent compared to Bonny light; from US$72 per barrel at the beginning of the quarter to US$77.43 as at quarter-end. Oil industry analysts argue that higher oil prices experienced in the quarter were as a result of many factors. Some of these include falling United States' stockpiles, the advent of the hurricane seasons in the Americas, and drop in supply from other major oil-fields especially in Mexico and the Middle East. Other factors include the advent of the driving season in the United States and most European states, stockpiling by developed economies as back-ups against up-shoot in demand in the winter months, among others.

OIL PRICES: MONTHLY PRICE MOVEMENTS (JUL - SEPT 2007)



Source: NSE / Research & Economic Intelligence Group