Zenith Economic Quarterly

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SOCIAL MEDIA:

THE GOOD, THE BAD, THE OPPORTUNITIES

INSIDE

Towards A Greater Investment Drive in Nigeria: The Free Trade Zone Option

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In touch with the world

Right from the days of the town crier, or bellman in the 18th century, people have been used to getting information that is of interest to them "free of charge". From this era, society had advanced fast to the age of mass media in the 20th century, with the 'advent' of books, newspapers, magazines, recordings, radio, movies, television and the internet. With the explosion of digital communication technology in the late 20th and early 21st centuries, the "mass media" has become more prominent, with the inclusion of cell phones, video games and computer games, among others.

Today, most of these 'traditional mass media' are fast becoming 'endangered species' courtesy of the emergence and preponderance of the "social media". This being means of interactions among people in which they create, share, and/or exchange information and ideas in virtual communities and networks. Furthermore, social media depends on mobile and web-based technologies to create highly interactive platforms through which individuals and communities share, co-create, discuss, and modify user-generated content. It has therefore introduced substantial and pervasive changes to communication between organizations, communities, and individuals.

With the social media therefore, every person, group, community or organization is in touch with the world—at all times. In recognition and appreciation of this pervading place of the social media, our cover theme is on "Social Media: The Good, The Bad, The Opportunities". In the piece, the author in numerous morsels x-rayed the almost inexhaustible usages of the social media. Indeed, the treatise underpins the relevance of the social media in virtually every human endeavour—irrespective of geographical location. But with this near-ubiquitous applicability of the social media, come the 'ugly sides' which, according to the author pose a serious threat to certain societal norms and etiquette.

In addition to the social media rubric, the article "Towards a Greater Investment Drive in Nigeria: The Free Trade Zone Option" focuses on state of things regarding the trade zones in the attraction of investments into the country. The article captures the policy framework that gave rise to the initiative, the incentives and the level of implementation of the programme in various locations in the country. The challenges and benefits to date definitively show that " the free trade zones offer the best panacea for Nigeria's import dependence… and departure from mineral exploitation to more productive, export-oriented economic development."

The ever-nagging issue of housing shortage is also once again discussed in this package—but from fresh perspectives. Under the title "The Transformation Agenda: Housing Delivery and Utility", the author, backed up with research results, points the 'best' approaches to tackling the perennial challenge. In yet another piece, the critical issue of leadership is x-rayed under "Trends in the Environment and Context of Leadership". Exploring the nexus between environmental forces and the context of leadership, the writer posits that successful leaders must devise strategies to address problems to turn them into opportunities.

Our man in the UK, in his treatise analyses the global economy and its outlook. With a 'peep' into various jurisdictions, Neil Hitchens highlights the dangers and challenges that exist at present, or could emanate from some 'flashpoints' around the globe. Locally, here in Nigeria, our 'periscope' on the Nigerian economy underpins that the macroeconomic indicators amply highlight a strong economy. Our 'facts & figures' section equally underscores this position.

Indeed, in your hands is another compendium of invaluable masterpieces specially packaged for your delight.

Enjoy your reading!

Marcel Okeke

from our mailbox

I am to acknowledge, with thanks, the receipt of a copy of the April 2013 edition of the Zenith Economic Quarterly forwarded to His Excellency, President Goodluck E. Jonathan, GCFR. We have taken note of the in-depth analysis of various economic issues highlighted, particularly the focal topic "Sustainable Development: Issues, Strategies and Goals".

Please, accept the best regards of the Chief of Staff to the President.

Ochi C. Achinivu
Senior Special Assistant to the President (Economic Matters)
For: the Chief of Staff to the President
State House,
Abuja, Nigeria

We gratefully acknowledge receipt of your April 2013 edition of the Zenith Economic Quarterly (ZEQ). Thank you for your goodwill and the important information provided by the Journal. They will definitely enhance our knowledge of the global economy and that of Nigeria for strategic policy decisions.

Please accept the assurances of the Chief of Air Staff's warm regards.

CN Chukwu
Air Vice Marshal
For Chief of the Air Staff
Nigerian Air Force
Ministry of Defence

We write to acknowledge receipt of the January, 2013 edition of the Zenith Economic Quarterly (ZEQ).

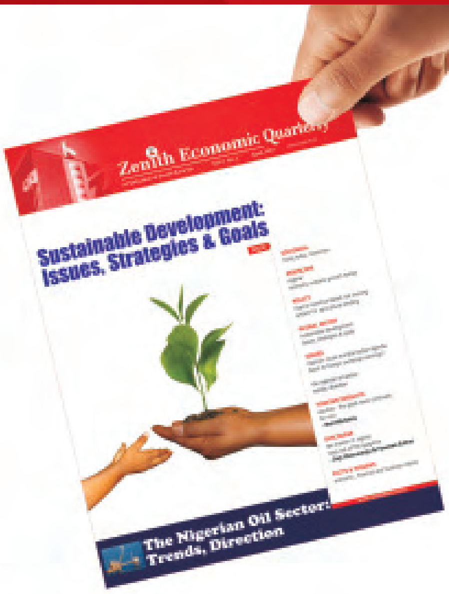
While appreciating your kind effort in the publication of this rich and educative document and encouraging you for a continuous production, please accept our warmth regards.

Yours faithfully,

Adeyemi Folorunso
Assistant Director (Economics & Statistics)
Manufacturers Association of Nigeria
For: Ag. Director General

Your letter dated May 6: 2013 to the Vice-Chancellor on the above subject refers.

I am directed by the Vice-Chancellor, Professor Rahamon A. Bello, FA Eng. to acknowledge with thanks the receipt of a copy of the January, 2013 Edition of the Zenith Economic Quarterly (ZEQ).



Kindly accept the Vice-Chancellor's kind regards.

Thank you.

Mrs. O.O. Amodu
Director (VC's Office)
University of Lagos, Nigeria

I am directed to acknowledge with thanks the receipt of your letter dated 6th May, 2013, forwarding a copy of the January, 2013 edition of the Zenith Economic Quarterly (ZEQ) Journal to the Vice-Chancellor.

The Journal, no doubt, will provide the University with useful information on the Nigerian and global economy for strategic policy decisions and serve as a veritable reference material in the University Library.

While commending the Management of Zenith Bank Plc for the Publication, kindly accept the assurance of our warm regards and best wishes.

> ***The Embassy found the information contained therein very useful and would use them to promote Nigeria in host Country.***

Yours sincerely,

Bayo Orukotan
Principal Assistant Registrar
Vice-Chancellor's Office
Bells University of Technology

I am directed to acknowledge with thanks the receipt of your letter dated 28th July, 2013 from your reputable organization, forwarding a copy of your quarterly economic magazine. The Embassy found the information contained therein very useful and would use them to promote Nigeria in host Country.

Please accept the assurances of His Excellency's highest regards.

Sunday Aibor
For: The Ambassador
Embassy of Nigeria
Bucharest, Romania

Please refer to your letter of 28th July 2013 on the above subject matter.

We write to acknowledge receipt of a copy of your April, 2013 edition of the Zenith Economic Quarterly (ZEQ) on the theme – 'Sustainable Development: Issues, Strategies & Goals'.

We appreciate your kind gesture and hope that it will provide us with invaluable and critical information on the Nigerian and global economy.

Thank you.

Yours sincerely,

Branch Controller
Central Bank of Nigeria, Minna,
Niger State

I am directed to acknowledge with thanks, the receipt of your April 2013 edition of Zenith Economic Quarterly (ZEQ) which focuses on Sustainable Development: Issues, Strategies and Goals.

Indeed the journal is rich in information on the Nigerian and global economy for strategic policy decision which the Embassy has already put to good use.

Please accept the assurances of the highest consideration of his Excellency, the Ambassador of Nigeria to Thailand.

G.S. Jalo
Second Secretary
For: Ambassador
Embassy of Nigeria
Bangkok, Thailand

Nigeria: Figures Highlight Strong Economy

By Marcel Okeke

Figures for almost all the indicators for assessing the health of an economy remained cheery for Nigeria in the second quarter 2013, consistent with the situation in the first quarter 2013 and the whole of 2012. Indeed such indices as the Gross Domestic Product (GDP), exchange rates, inflation, external reserves; the stock market indicators (Market Cap, All-share Index), moved in the desired directions, with few exceptions. Oil prices, though intermittently jolted by the vagaries of developments in certain parts of the globe, remained largely favourable –significantly above the 2013 Federal Government budget benchmark of US$79per barrel. This upbeat trend in the economy is despite the obvious slow down witnessed almost the world over, especially in Asia in the first half of the year.

The positive trend agrees with the position of the World Bank in its first 'Nigeria Economic Report (NER)' released early in May this year. The NER noted that Nigeria's short term macroeconomic outlook looks generally strong with the likelihood of higher growth, lower inflation, and reserve accumulation, adding that this will present the Government with an opportunity to make progress in key reforms and public investments associated with the Transformation Agenda for job creation, diversification, and more effective governance. Similarly, both Fitch and Standards & Poor's (S &P), the two reputable global rating agencies, raised Nigeria's credit rating to BB-/Stable and B+/ Stable respectively, amidst massive sovereign downgrades in many jurisdictions. Also, the World Bank during the review period re-classified Nigeria's economic status from 'poor' by income per capita to 'lower income country'. This according to the Bank follows its resolve to give Nigeria a 'blend' status in its 2014—2017 Country Partnership Strategy (CPS). This reclassification was a sequel to a review of Nigeria's economic indicators which showed reduction in poverty rate per capita, from 64.2 per cent to 62.6 per cent, as well as an improvement in revenue accretion.

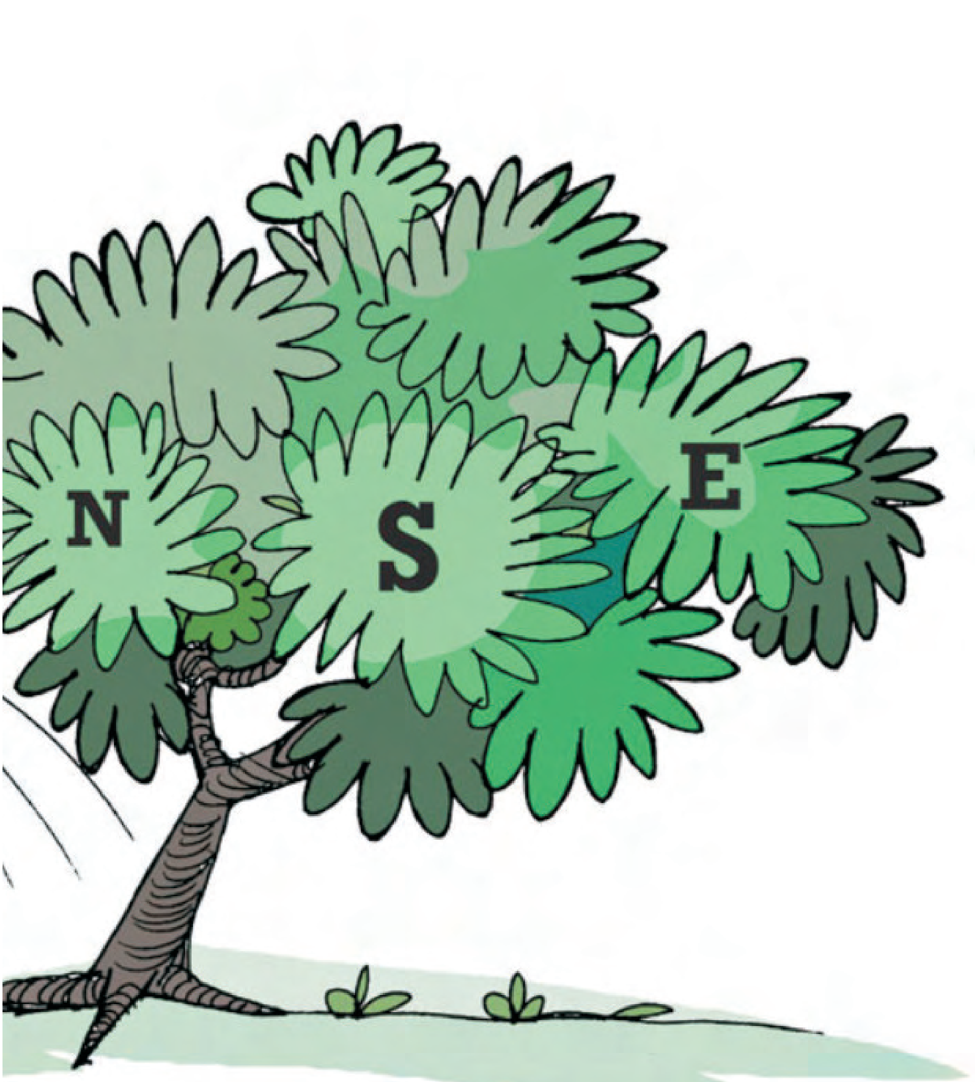
Still another report, by a California-based specialty insurance company (Alliant Insurance) ranked Nigeria as the "most improved nation for business risks". Its 2013 "Political and Economic Risk Ratings" named Nigeria among the "most improved nations" in terms of business risks, based on political and economic risk factors such as currency devaluation, economic downturns, and political violence. Alliant's Risk Rating & Indices provide forward-looking assessments of the risks of doing business in 150 countries and focus on likelihood of companies experiencing financial losses as a result of political and economic events. In line with this reported trends in the economy, during the quarter under review, Government continued with gusto, its reforms in the various sectors of the economy, driven in part by the Millennium Development Goals (MDGs), the Transformation Agenda and the Vision 20:2020. Infrastructural development, power and energy sector reforms; financial services industry reform and agricultural sector transformation, among others were pursued with vigour.

Regarding the economy statistics, the quarterly report of the National Bureau of Statistics (NBS) showed the Nigerian economy grew 6.18 per cent year-on-year in the second quarter 2013; a growth slightly lower than the previous quarter's 6.56 per cent and the 2013 budget assumption of 6.50 per cent. The non-oil sector continued to sustain the Nigerian economy. In the second quarter of 2013, it increased 7.36 percent, compared with 7.63 percent a year ago. This slight decline was partly attributed to lower electricity generation during the period which had ripple effects on other manufacturing, telecommunications and wholesale and retail trade. Massive oil theft, pipeline vandalism and shutdowns continued to hurt the oil sector, leading to consistent drop in output volume—month on month.

Also, uncertain international oil market and price signals, weak infrastructure, and downside risks due to discovery of shale oil and the emergence of other African oil exporters competing for Nigeria's traditional oil market, etc, were all features of the oil sector during the period under review. As a result, production averaged 2.29 million barrels per day (mbpd) in the first quarter 2013; it declined to about 2.11 mbpd in the second quarter—all below the 2013 budget benchmark of 2.526 mbpd—although average (spot) price remained above US$105 per barrel during both quarters.

While the nation's oil sector experienced production challenges, the non-oil sector output increased in the second quarter of 2013. The non-oil sector growth was driven by activities in the agriculture, airlines, hotels and restaurants, as well as building and construction sectors. According to the NBS report, Nigeria is growing as an investment destination due to its huge potential consumer population of almost 170 million and improved fiscal and monetary stability.

Still on this positive note, Nigeria's external merchandise trade amounted to N5.34 trillion in the second quarter 2013, an increase of about N242.3 billion or 4.8 per cent from N5.01 trillion recorded the previous quarter, according to the trade data of the NBS. This change resulted from an increase in the value of exports from



N3.45 trillion in the first quarter 2013 to N3.74 trillion in the second quarter, and a three per cent decline in the value of imports from N1.65 trillion in the first quarter 2013 to N1.60 trillion in the second quarter. Also, the increase in exports and decrease in imports resulted in a favourable trade balance of N2.15 trillion in the second quarter – an increase of N339.3 billion from the level in the first quarter 2013.

However, the crude oil component of the total trade stood at N2.7 trillion, a decrease of N321.2 billion or 10.6 per cent when compared with the previous quarter. Year-on-year, the crude oil component recorded a decline of 23.6 per cent. The value of total trade for the first half 2013 stood at N10.44 trillion; again a decrease, of N326.6 billion or 23.8 per cent compared to the N13.7 trillion recorded in the same period of the preceding year.

As a reflection of the improving fiscal and monetary management, Nigeria's year-on-year headline inflation decelerated to 8.4 per cent in June from 9.0 per cent in May. Also, core inflation declined significantly to 5.5 per cent in June from 6.2 per cent in May. However, according to the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN), notwithstanding this consistent moderation in headline inflation, there are benign risks on the horizon, including the possibility of accelerated fiscal releases in the later part of the year. There is also the possible negative impact of the upward review in electricity tariffs, following the implementation of the full deregulation of the energy sector.

Like inflation rate during the first half 2013, the average exchange rate of the Naira against the US Dollar remained generally stable at about N155.75 per US$ as at June 2013, compared with the level in December 2012. Indeed, in the first quarter 2013, the Naira appreciated marginally at the official market by about 0.01 per cent to N155.75/US$ as against N155/US$ in the last quarter 2012. However, the Naira experienced depreciation somewhat in all segments of the foreign exchange market in the second quarter on the back of a general sell-off by portfolio investors in emerging and frontier markets following guidance by the US Federal Reserve Bank (FED) with respect to its quantitative easing programs. According to the MPC, the experience in Nigeria was not unique, as the spike in the US yields negatively impacted financial markets across the globe. Specifically, according to the MPC, at the Wholesale Dutch Auction System (wDAS), inter-bank and the BDC segments of the foreign exchange market, the exchange rate depreciated to N157.32/US$, N161.25/US$, and N163.00/US$ on July 19, 2013 from N157.30/US$, N158.30/US$, and N159.50/US$ on May 21, 2013.

The nation's external reserves experienced a marginal decline between the first and the second quarter 2013: gross external reserves at the end of the second quarter of 2013 stood at US$44.96 billion, indicating a decrease of 6.1 per cent below the US$47.88 billion recorded at the end of the preceding quarter.

The relative stability in reserves level was mainly due to the proceeds from crude oil and gas sales and crude oil-related taxes as well as reduced funding of the wDAS. The reserves level at end-June could finance more than 13 months of imports.

While the nation's pool of external reserves was fairly stable, its public debt stock was on the increase; with the total standing at N7.93 trillion (US$50.91 billion) as at the end of first half 2013, according to the Debt Management Office (DMO). This comprises external debt stock (Federal and State governments) of N1.08 trillion (US$6.92 billion) and domestic debt (Federal Government only) of N6.85 trillion (US$43 billion). A breakdown of the external debt stock shows that multilateral financial institutions accounted for about 80 per cent of Nigeria's external debt profile. The International Development Association (IDA), a member of the World Bank Group, accounts for US$4.78 billion while the International Fund for Agricultural development (IFAD), another member of the World Bank Group, is owed US$83.70 million. Others include Africa Development Bank (AfDB), US$21.20 million; Africa Development Fund (ADF), US$538.30 million; European Development Fund (EDF), US$100.80 million; Islamic Development Bank (IDB), US$14.50 million and Arab Bank for Economic Development in Africa (ABEDA), US$2.80 million.

Also, bilateral debt represented 12.22 per cent of the external debt stock, comprising loans of US$825.40 million owed Exim Bank of China and US$20 million owed France. Nigeria's commercial loans totalling US536 million comprises US$500 million Eurobond from the International Capital Market and US$36 million owed ZTE Alcatel and CMEC, accounting for 7.75 per cent of the total external debt stock. Further analysis of the public debt shows that the Federal Government of Nigeria (FGN) bonds which stood at N4.03 trillion as at June 30, 2013, was 58.87 per cent of the domestic debt; Nigerian Treasury Bill valued at N2.48 trillion, accounted for 36.25 per cent, while Treasury Bonds was N334.56 billion or 4.88 per cent.

A key plank of the positive highlight of the economy during the first half 2013 was the outstanding performance of the Nigerian stock market. Indeed according to the Stalwart Report on capital markets across the globe, the Nigerian stock market ended the first half of the year on a positive note, returning 28.8 per cent gain in overall market performance. In a universe of selected indices from all over the world, Nigerian equities market emerged as the best performing in the half-year ending June, 2013, according to the report. This was followed by the Japanese market Nikkei with a return of 27.1per cent. Though owing to profit taking, there was a pull back towards the end of the second quarter, the return of 28.8 per cent defined the level of recovery when compared with the modest gain of 4.19 per cent in comparative period of 2012. Market analysts believe that the level of confidence in the Nigerian stock market has definitely risen with improved risk appetite for equities investment in spite of the challenges of liquidity and depth.

During the first half 2013, inflow of funds to the Federal and State governments was also robust. In fact, the Federation Account Allocation Committee (FAAC) vote between January and June was over N3 trillion. Available data show that the total allocation

to the three tiers of government in the first quarter 2013 stood at N2,008.12 billion—a figure that is higher than the 2013 quarterly budget estimate by 9.3 per cent. In the month of June alone, the sum of N718.10 billion was shared among the three tiers of government, with the Federal Government getting N294.038 billion (or 52.68 per cent) as against N235.778 billion it got in May; the State governments got N149.140 billion (or 26.72 per cent) as against N119.590 billion they received in May. On their part, the local governments received N114.981 billion (or 20 per cent) as against N92.199 billion in May. Also, oil producing states got a total of N52.230 billion as 13 per cent derivation revenue in June, compared to the N48.874 billion they got the previous month. Regarding the proceeds of the Value Added Tax (VAT), in the second quarter, the Federal Government received N27.88 billion from the VAT Pool Account, while the state and local governments received N92.95 billion and N65.06 billion, respectively. The sum of N280.07 billion was also drawn from the Excess Crude Account (ECA) to bridge the short-fall in revenue during the second quarter.

THE CAPITAL MARKET

As earlier stated, one of the highlights of the cheery state of the economy in the first and second quarters 2013 was the excellent performance of the Nigerian capital market. Available data show that at the end of June 2013, the All Share Index stood at 36,164.31; that is, about 80 per cent above previous year's level, indicating a truly rewarding market. The index also has crossed the 40,000 points mark it attained before retracing. Market value as at the end of the half year peaked at N12.84 trillion, surpassing the 2008

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peak before also retreating to N11.52 trillion due to the activities of profiteers. Investors and other stakeholders in the market will appreciate this sterling performance when considered against the fact that in 2011, market value was singularly enhanced by the listing of Dangote Cement which accounts for 25 per cent of total market capitalization.

Further analysis of the market data shows that average daily transaction in the half year is 475 million shares; this is higher than the 360 million shares average daily transaction recorded in the entire 2012. This trend is largely driven by improving liquidity and growing confidence as more investors from the domestic and foreign scenes come to the market. Shortly after the market crash up to 2012, the Nigerian stock market was dominated by foreign investors, the balance has shifted in favour of domestic portfolio investors (especially the Pension Fund Administrators) while there is evidence that efforts are on to attract retail investors to the market. In addition to this, reported good corporate earnings, revamped regulatory framework and expanding product offerings were some of the factors that drove the market in the first half year 2013.

Further breakdown of the market performance shows that at end-June 2013, two of the seven (7) sectoral indices rose. The NSE Consumer Goods and NSE Lotus II indices increased by 3.5 and 13.4 per cent, respectively, to close at 1,018.5 and 2,517.6 at the end of the review period. However, the NSE Banking, NSE Insurance and NSE Oil/Gas indices fell by 2.4, 10.4 and 13.5 per cent, respectively, to close at 402.3, 138.5 and 171.5 at the end of the second quarter of 2013. The newly introduced NSE industrial goods and NSE AseM indices closed at 2,093.04 and 976.11, respectively, at the end of the review period.

The quantum recovery of the stock market during the period under review also reflected in the number of new and supplementary listings; unlike previous quarters that hardly recorded new listings, three new and ten supplementary listings took place during the period under review. The C & I Leasing had N940 million 18 per cent Fixed rate issuance programme; there was the Osun State Government N30 billion fixed rate bond as well as the FCMB Group restructure scheme. Some of the ten supplementary listings include Flour Mills of Nigeria, Rak Unity Petroleum Plc; Livestock Feeds Plc; Custodian and Allied Insurance Plc; BOC Gases Plc; Okomu Oil Plc. Others are: CAP Plc; UACN Plc; First City Monument Bank Plc (bonus share issue) and Oando Plc.

Regarding the newly introduced Alternative Securities Market (AseM), the NSE during the period under review named 14 firms to serve as advisers to companies listed in that segment. Some of them include ARM Securities Limited, BGL Securities Limited, Capital Asset Limited, EDC Securities Limited, Fidelity Securities Limited, FSDH Securities Limited. Others are Investment One Stockbrokers International, Magnartis Finance & Investment Limited, Morgan Capital Securities Limited, UBA Stockbrokers Limited, Partnership Investment Company Limited and Marina Securities Stockbroking Services, among others. In a similar vein, the NSE named 13 stockbroking firms as supplementary market makers (SMM) to complement the activities of the primary market makers appointed last year. The NSE also announced the commencement of the maximum 10 per cent price up-and-down limit for all equities in the Nigeria bourse. The Exchange also introduced an Industrial Index into its Daily Official List—to measure the performance of the 10 top performing stocks in the industrial sub-sector of the equities market.

The over-the-counter (OTC) market for the trading of securities not listed on the Nigerian Stock Exchange (NSE) also began to blossom during the period under review. NASD OTC Plc which operates the OTC noted that the market is attracting more companies and stockbroking firms, indicating growing acceptability of the new platform by investors and operators. Launched on July 1, 2013, the NASD OTC began operations with four companies and 45 stockbroking firms. The companies include: Friesland Campina WAMCO Nigeria Plc, Niger Delta Exploration & Production Plc, Industrial and General Insurance Plc and Food Concepts Plc. Geofluids Plc and Consolidated Breweries Plc later joined. Under the new platform, investors of these unquoted companies are free to trade their shares via all the broking firms listed to trade on the platform.

http://upload.wikimedia.org/wikipedia/commons/4/43/Ernst_and_Young_Berlin.jpg

BANKING AND FINANCE

The Nigerian financial services sector as a whole and the banking industry in particular continued to exhibit positive developments during the first half 2013, courtesy of the ongoing reforms. This progress is evidenced in a number of ways, including a report by Ernst & Young Global Limited which says the banking industry in Nigeria will record the most bullish performance among ten rapid-growth markets (RGMs) over the next twelve months. The report tagged 'Banking in Emerging Markets: Seizing Opportunities, Overcoming Challenges' says that the vast majority of bankers (interviewed) believe that their bank's performance will improve over the next year based on strong customer demand as a result of expanding economy.

Yet in line with the cheery trend in the industry, thirteen Nigerian banks made the Top 1000 World Banks 2013 published by 'The Banker' journal, a member of the Financial Times Group, London, UK in its July 2013 special edition. According to the journal, the impressive performance of Nigerian banks in the latest global ranking is an indication of significant improvement in the capital adequacy and stability of deposit money banks in Nigeria. The rankings (with Zenith Bank as Number One in Nigeria, Sixth in Africa and 287th in the world) are based on Tier One capital as a measure of bank's ability to lend on a large scale and endure shocks. Apart from Zenith Bank Plc, other Nigerian Banks that were listed include: First Bank of Nigeria Plc, Guaranty Trust Bank Plc, Access Bank Plc, United Bank for Africa Plc, Ecobank Nigeria Plc. Also listed were Fidelity Bank Plc and First City Monument Bank Plc, Skye Bank Plc, Diamond Bank Plc, Stanbic IBTC Plc, Union Bank and Standard Chartered Bank.

While these Nigerian banks were being numbered among the best and biggest in the world, the Asset Management Corporation of Nigeria (AMCON) commenced the process leading to the sale of the 'bridge banks' in the country, starting with the Enterprise Bank Limited. Subsequent to this, the sale of Keystone Bank Limited and Mainstreet Bank Limited would also be underway, according to AMCON. In a related measure, the CBN announced a plan for the refinancing of AMCON's initial N5.7 trillion zero coupon bonds expected to mature from December 31, 2013 to October 2014. The apex bank holds N3.6 trillion of the bond while the rest belong to other public sector operators.

Apparently in reaction to the recently introduced banking model that supplanted universal banking, and supported by their respective growth and expansion strategies, most of the deposit money banks (DMBs) had undertaken some capital raising, fresh acquisitions/mergers, rights issues, among others. Indeed, a report by the Debt Management Office (DMO) says four Nigerian banks had raised $1.45 billion (N227.65 billion) from the creation of sovereign benchmark in the International Capital Market (ICM).The

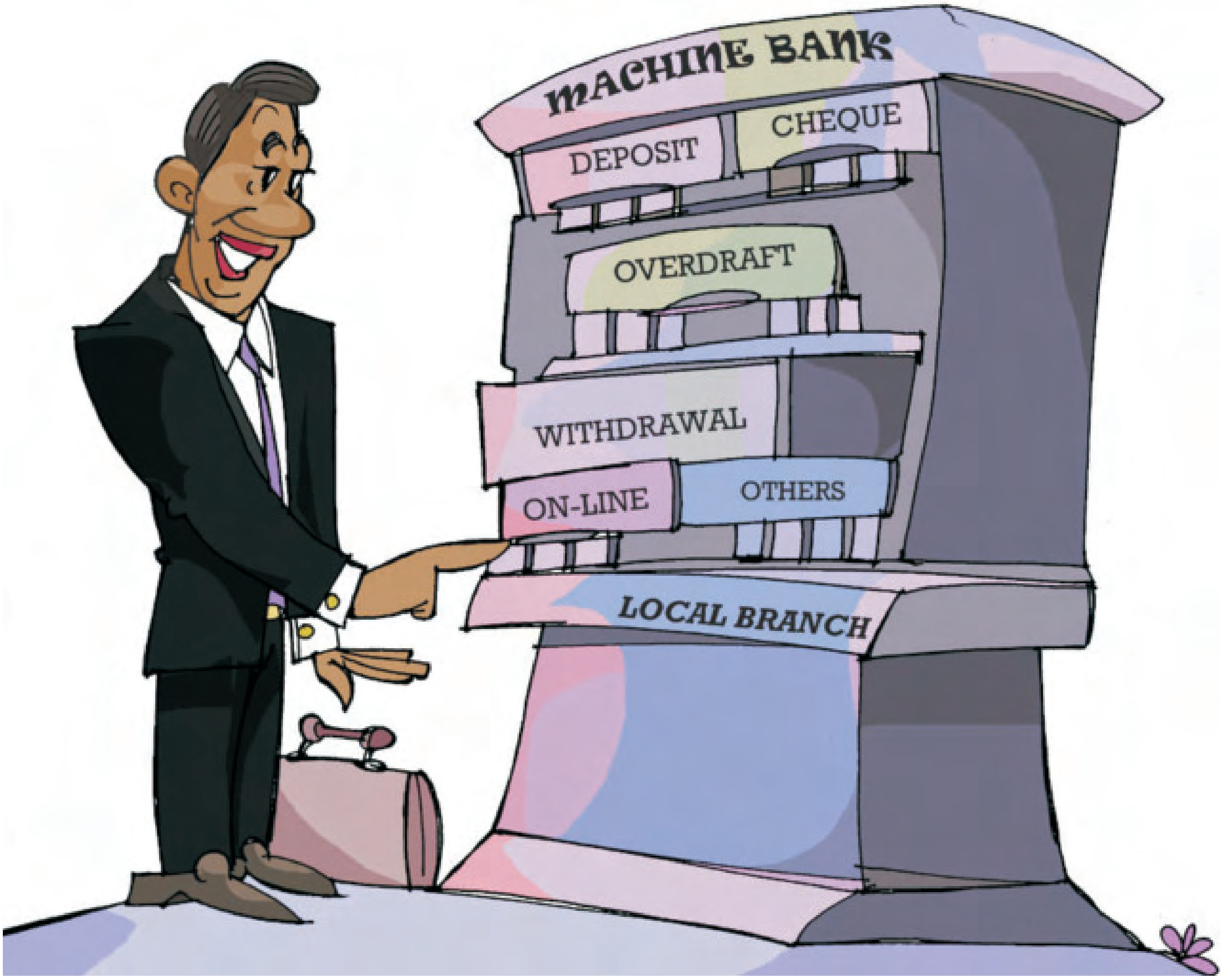
banks that issued the Eurobonds were Guaranty Trust Bank, Access Bank, Fidelity Bank and First Bank. Although these banks approached the ICM within the past two years (up to July 2013) according to the DMO, the trend underpins the continuing search for fresh capital by the banks. Zenith Bank had earlier in the year consummated the listing of its US$850 million worth of ordinary shares on the London Stock Exchange (LSE) as Global Depository Receipts (GDRs). This move only allows foreign investors to buy Zenith Bank's shares on the LSE and improve liquidity as a result.

Another feature of most DMBs during the period un-

der review was the declaration of improved profits in their half-year 2013 financials as compared to their 2012 half year results, with many indicating slow credit growth. A report by Renaissance Capital (an investment bank) showed that in almost all cases, the bank's books showed cost growth accelerating rapidly; loan growth constrained by capital and continued challenges for some in finalizing their capital raise. Some also exhibited shrinking deposit market share. But overall, all the banks continue to enjoy a clean bill of health.

The declining credit growth, for instance, is reflected in the CBN Economic Report for the Second Quarter 2013 which showed that a total of N932.6 million was guaranteed to 7,591 farmers under the Agricultural Credit Guarantee Scheme (ACGS) during the quarter. This represented a decline of 50.7 and 41.4 per cent below the levels in the preceding quarter and the corresponding quarter of 2012, respectively. A sub-sectoral analysis of the loans guaranteed indicated that the food crops sub-sector received the largest share of N601.8 million (64.5 per cent) for 6,014 beneficiaries, while the livestock sub-sector got N241.6 million (26.0 per cent) for 1,056 beneficiaries. Fisheries sub-sector obtained N60.7 million (6.5 per cent) for 348 beneficiaries; while cash crop sub-sector received N11.6 million (1.2 per cent) guaranteed to 101 beneficiaries. Mixed crops obtained N10.6 million (1.1 per cent) guaranteed to 40 beneficiaries, while "others" subsector obtained N6.3 million (0.7 per cent) guaranteed to 32 beneficiaries.

Further analysis showed that 30 states benefited from the scheme during the quarter under review, with the highest and lowest sums of N137.3 million (14.7 per cent) and N0.2 million (0.02 per cent) guaranteed to farmers in Edo



and Borno states, respectively. At end-June 2013, the total amount released by the CBN under the Commercial Agriculture Credit Scheme (CACS) to the participating banks for disbursement stood at N217.4 billion (for two hundred and eighty-eight projects). United Bank for Africa (UBA) Plc disbursed N41.8 billion to 35 projects, followed by Zenith Bank Plc which disbursed N32.9 billion to 21 projects; First Bank of Nigeria Plc disbursed N22.7 billion to 64 projects; Unity Bank Plc disbursed N19.9 billion to 22 projects, etc. Altogether, 19 banks which participated in the CACS disbursed a total of N217.4 Billion to 288 projects during the period under review.

The DMBs continued with their offshore growth and expansion drive during the period under review, with some acquiring existing banks in various regions of the African continent. Indeed a major cross-continental relationship commenced between Ecobank Transnational Incorporated (ETI) and India's second largest financial institution, ICICI Bank Limited. The partnership is expected to market ETI as a hub for Indian investment into Africa. In a similar move, GTBank Plc commenced the process of acquiring some financial institutions in some East African countries—including Kenya, Tanzania and Uganda.

On its part, the apex bank continued with its financial inclusion policy implementation. In this regard, it had inaugurated a Financial Literacy Steering Committee (FLSC) to oversee the effective implementation of financial inclusion policy in the country. CBN Governor, Sanusi Lamido Sanusi inaugurated the committee in Abuja. It comprises the CBN, Nigeria Deposit Insurance Corporation, Securities and Exchange Commission, National Insurance Commission, the Pension Commission, the Nigerian Stock Exchange, Federal Ministry of Finance, the Federal Ministry of Education and the National Communications Commission, among others.

And in pursuit of a key plank of the financial inclusion initiative, the CBN, after an exposure draft of the agent banking framework, published the approved guideline of the strategy. Financial inclusion entails shrinking the nation's huge informal sector whose operators, mostly artisans and rural dwellers have no access to financial services. In appointing agents, the CBN guideline, among others, requires that financial institutions put in place "appropriate consumer protection systems against risks of fraud, loss of privacy and loss of service." The CBN guideline also requires the financial institutions to put mechanisms in place to enable their customers or users appropriately identify their agents and services provided through such agents, just as the agents must issue receipts or acknowledgements, including electronic forms for all transactions undertaken through them. Banks are also to provide dedicated customer care lines for customers to lodge complaints against, or verify the authenticity and identity of any agent, its physical location and the validity of its agent banking business.

OIL AND GAS, POWER & ELECTRICITY

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 1.93 million barrels per day (mbd) or 175.63 million barrels compared with 2.05 mbd or (184.5 million barrels) in the preceding quarter, according to the CBN Economic Report for the second quarter 2013. This represented a decline in production of 0.12 mbd or 5.9 per cent. Consequently, crude oil export was estimated at 1.48 mbd or (134.68 million barrels) in the review period, compared with 1.60 mbd or 144.0 in the preceding quarter, thus representing a decline of 7.5 per cent. The development was attributed to the incessant pipeline vandalism resulting from crude oil theft in the Niger Delta.

Allocation of crude oil for domestic consumption was 0.45 mbd or 40.95 million barrels during the period under review. At an estimated average of US$105.24 per barrel, the price of Nigeria's reference crude, the Bonny Light fell by 8.8 per cent, from the level in the preceding quarter. The average prices of other competing crudes, namely the U.K Brent and the Forcados also declined, to US$103.14 and US$106.46 per barrel, respectively, from US$113.68 and US$116.89 per barrel in the preceding quarter, while the West Texas Intermediate (WTI) at US$93.97 per barrel recorded a slight increase of 3.2 per cent. Similarly, at US$100.90 per barrel, the average price of OPEC's basket of eleven crude streams also declined by 7.8 and 4.9 per cent, compared with the average of US$109.48 and US$106.08 per barrel recorded in the preceding quarter and the corresponding quarter of 2012, respectively. The fall in prices was attributed to the on–going Eurozone economic turmoil and high record levels of the US oil inventories.

As the vagaries in global economy were hitting the crude oil market, activities in the up and down streams locally remained largely stable. Oando Plc, a major player in the upstream, downstream and midstream, for instance, acquired ConocoPhillip's Nigerian assets worth US$1.79 billion. Also, Shell commenced the building of a jetty worth US$5 million in Bayelsa State, just as Sagas and Nigerian Gas Company sealed a US$20 million deal that will require Sagas to supply and distribute compressed natural gas as alternative automotive fuel. Another important deal that took place in the oil and gas sector was the commencement of the second phase of Calabar gas project which attracted US$225 million loans from Nigeria financial institutions. Players involved are Seven Energy, Accugas, while the facility was syndicated by FBN Capital, First Bank, FCMB, UBA and Stanbic IBTC.

Also, Total Upstream Nigeria, a joint venture partner of the Nigeria National Petroleum Corporation (NNPC), awarded US$4.2 billion contracts to Saipem and FMC Technologies in a string of contract awards for the development of the US$15billion Egina deep-water field off Nigeria. Specifically, the oil major had awarded US$3billion contract to Saipem for engineering and construction work on subsea facilities for the development of the Egina field while FMC Technologies equally got a US$1.2billion subsea equipment order. Siapem is a subsidiary of Italian oil giant, Eni. Further details of the contract showed that Saipem would carry out engineering, procurement, fabrication, installation and pre-commissioning of 52 kilometres of oil production and water injection flowlines under the deal.

In the power and electricity sub-sector during the period under review, issues around the new Multi-Year Tar-

http://thethoughtherder.files.wordpress.com/2010/12/dsc00967.jpg

iff Order (MYTO), and efforts at consummating the sale of the successor companies to the Power Holding Company of Nigeria (PHCN)—15 GENCOS and DISCOS prevailed. The new Multi-Year Tariff Order (MYTO 2), which took effect from June 1, 2013 does not offer uniform charges across the country. What one pays depends on the geographical location one lives. The new tariff is also valid only until May 31, 2014; after which date, some fresh adjustments could be expected, according to the Nigeria Electricity Regulatory Commission (NERC). NERC first introduced MYTO on June 1, 2012, which adjusted tariff upwards.

Under the MYTO 2, electricity consumers are classified into 'residential', 'commercial', 'industrial' and 'special'. The 'residential' class of energy consumers use their premises exclusively as a residence - house, flat, or multi-storey house. Commercial energy consumers use their premises for any purpose other than exclusively as a residence or as a factory for manufacturing goods. Examples are offices, cyber cafes, business centres, salons, etc. 'Industrial' energy consumers use their premises for manufacturing goods including welding and ironmongery. Factories and Industries with high energy demand are under this category. Customers such as agriculture and agro-allied industries, water boards, religious houses, government and teaching hospitals, government research institutes and educational establishments, etc, fall under the 'special' class. Regarding the GENCOS and DISCOS, the preferred bidders were named during the period under review, and all ended up meeting their bids obligations. With this, the new managers of the DISCOs approved by the National Council on Privatization, NCP are as follows: •Kann Consortium – Abuja DISCO •Vigeo Power Consortium – Benin •West Power & Gas – Eko •Interstate Electrics Limited – Enugu •Integrated Energy – Ibadan •NEDC/ KEPCO – Ikeja •Aura Energy Ltd •Sahelian Power SPV Ltd – Kano •4Power Consortium – Port Harcourt and, •Integrated Energy Distribution and Marketing – Yola

The new owners/managers of the GENCOs also as approved by the NCP are: •Amperion – Geregu Plant •Mainstream - Kainji Plant •North-South - Shiroro •Transcorp/Woodwork – Ughelli Plant and •CMEC/ Eurafric – Sapele Plant.

Telecommunications

As in previous quarters, the telecommunications sub-sector continued to experience a flurry of activities during the period under review. The total subscriber base kept rising, from 148.161 million in April 2013 it rose to 150.888 million in May, and rose further to 164.642 million in June. Correspondingly, the teledensity shot up from 85.25 in April to 86.25 in May but declined slightly to 85.97 in June. The much awaited mobile number portability (MNP) commenced during the quarter under review, specifically in April. Mobile Number Portability is a service that enables a subscriber to keep his mobile phone number when changing from one mobile service provider to another. If the subscriber switches between service providers, he does not have to go through the process of informing any body because his phone number stays the same.

However, by the close of the second quarter 2013, the NCC had conducted a survey to establish the level of progress made with the MNP project. It had earlier hinted that any operator found hindering the process would be fined N200,000 per subscriber, noting that the MNP was a key facilitator of consumer choice and effective competition in the telecommunications environment.

The result of the NCC survey showed that Airtel led the gainers table with 44 per cent and 50 per cent in May and June respectively. Etisalat gained 29 per cent of the total subscribers that exercise their porting right in May, Glo got 17 per cent while the network with the highest number of subscribers, MTN, gained one-tenth of the total 'porters' in May.

Alongside the survey exercise, the NCC also intensified compliance monitoring on the deactivation of unregistered SIMs, and prescribed separate sanctions on default-

ers. In a letter of July 2, 2013 addressed to the operators, the NCC stated that subsequent to its April 15, 2013 Registration of Telephone Subscribers Regulation 2011 and subsequent shift of deadline to June 30, 2013, it wished to inform the operators of no extension. The NCC directed all operators to forward to it a summary of the registered and active lines on their networks as of June 30, 2013. It also directed that details of the unregistered and deactivated lines as at deadline date should be forwarded to it, which, according to it, is consistent with section 15(2) of the NCC's Regulation of Telephone Subscribers Regulations 2011.

The regulator also insisted that the mobile operators must deactivate all unregistered SIM cards on their networks immediately, saying that deactivation in this case, and consistent with section 1 of the NCC's Registration of Telephone Subscribers Regulations 2011, means that all unregistered SIM cards are disallowed full access to the networks, including the ability to make and receive calls, to send and receive SMS and other range of services usually provided by the network. According to the directive, the operators are also mandated to provide a firm confirmation that the unregistered lines have been fully deactivated in line with the provisions of the regulations.

NCC insisted that without prejudice to its requirements and consistent with Regulation 13(4) of its Registration of Telephone Subscribers Registration 2011, all operators are to forward on a weekly basis thereafter, details of the registration of the biometric information and other personal information of new lines registered to the commission for entry into the central database.

Still, consistent with the continuing boom in the telecommunications sector, a lot of sealed contracts estimated at about US$5.95 billion took place in the industry during the period under review. For instance, MTN Nigeria sourced US$3 billion from a consortium of banks for network expansion. Globacom obtained US$1.75 billion for service modernization and capacity expansion. Huawei Technologies and China ZTE featured prominently in the Globacom deals. Etisalat Nigeria was also involved in a US$1.2 billion for network capacity expansion, among others.

(* Marcel Okeke is the Editor, Zenith Economic Quarterly)

Policy

GUIDELINES FOR THE OPERATION OF MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT FUND FOR NIGERIA

Chapter 1

Background
A large number of un-served and under-served clients exist in the Nigerian MSME sub-sector. In order to address the funding requirements of this critical segment of the economy, S*ection 6.10 of* the revised Microfinance Policy, Regulatory and Supervisory Framework for Nigeria stipulates that "***a Microfinance Development Fund shall be set up, primarily to provide for the wholesale funding requirements of MFBs/MFIs".*** The Policy also stipulates 80:20 prescription for on- lending to micro enterprises and SMEs respectively, hence the decision of the Central Bank of Nigeria to rename it **"Micro, Small and Medium Enterprises Development Fund' (MSMEDF).** The Fund shall have a seed capital of N220billion.

Considering the peculiar challenges faced by women in accessing financial services in Nigeria, the Revised Microfinance Policy, Regulatory and Supervisory Framework in Section 4.2 (iv), provides that women's access to financial services should increase by 15 per cent annually in order to eliminate gender disparity. In order to achieve this, 60% (N132.00 Billion) of the Fund has been earmarked for providing financial services to women.
In operating the Fund, special consideration shall also be given to institutions that will provide financial services to graduates of the Central Bank of Nigeria's, Entrepreneurship Development Centers (EDCs).

1.1 Guidelines on the Micro, Small and Medium Enterprises Development Fund (MSMEDF)
This Guideline specifically sets out the general modalities for operating the N220.00 billion MSMEDF.

1.1.1 **Seed Capital**
The Fund shall have a take-off seed capital of N220billion, 60 per cent of which shall be committed to providing financial services to women.

1.2 Key Objectives
The Fund shall have two main objectives as follows:

1.2.1 Social/Developmental objectives/Grants
Ten (10) per cent of the Fund shall be earmarked for social and developmental objectives in the following categories:

• Grants (5%)	N11.0 billion
• Interest Drawback Program (3%)	N6.60 billion
• Managing Agent's (MA) Operational Expenses (2%)	N4.4 billion
	N22.0 billion

The N4.4 billion allocated to the Managing Agent (MA) above is for its take-off. The MA will be expected to generate income from its operational activities to fund its future expenses on a sustainable basis. A total of N6.6 billion earmarked for Interest Drawback will be used to settle the rebates to customers of Participating Financial Institutions (PFIs) under the Fund who repay their loans as and when due. The N11.0 billion for grants will fund programmes that are aimed at developing the MSME sub-sector. Details of the application of the grant are:

- Capacity building of staff of Microfinance Banks (MFBs), Microfinance Institutions (MFIs), similar institu tions and their apex bodies.
- Promoting the development of appropriate regulatory regime for MSME lending.
- Supporting initiatives that will promote financial literacy, entrepreneurship development.
- Supporting programmes that are geared towards the mobilization, training and linking of MSMEs to financial services.
- Research and Development.
- Promotion of MSME friendly financial innovations and products.
- Development of Financial Infrastructure in support of MSMEs

1.2.2 Commercial Objectives
The balance of ninety (90) per cent of the Fund, amounting to N198 billion, will be utilized for the provision of direct on-lending facilities to Participating Financial Institutions (PFIs) in either of the following forms:

	Women (60%)	**Others (40%)**	**Total**
	N'Billion	N'Billion	N'Billion
• Wholesale Funding (90%)	106.92	71.28	178.20
• Refinancing & Guarantee (10%)	11.88	7.9	19.8
• Total (100%)	118.8	79.2	198

1.2.3 Utilization of the Fund by Enterprises
In terms of type of enterprises to be funded, the Fund shall be dispensed as follows in line with the provisions of the Microfinance Policy, Regulatory and Supervisory Framework for Nigeria.

	Women	**Others**	**Total**
	N' Billion	N' Billion	N' Billion
• Microenterprises (80% of the Commercial component)	95.04	63.36	158.40
• SMEs(20% of the Commercial component)	23.78	15.84	19.80
• Total	118.8	79.20	198.0

1.3 Enterprises to be financed by Participating Financial Institutions (PFIs)
The PFIs can seek for facilities for the following enterprises:

- Agricultural Value Chain activities,
- Trade and general commerce
- Cottage Industries,
- Artisans
- Services: hotels, schools, restaurants, laundry etc.
- Any other income generating projects as may be prescribed by the Managing Agent.

1.3.1 Maximum amount of the Fund for Trading and Commerce

In order to ensure that productive sectors of the economy continue to attract more financing necessary for employment creation and diversification of the country's economic base, a maximum of 10% of the Commercial component of the Fund shall be channeled to trading and commerce.

1.4 Management and Administration of the Fund

The Fund shall be managed by a Special Purpose Vehicle (SPV) under the terms and conditions defined in this Guideline. In addition, the office in the SPV that is responsible for the administration of the women component of the Fund shall be headed by a woman. The CBN shall commence the management of the Fund pending the establishment/appointment of the SPV or Managing Agent.

1.5. Definition of Terms

1.5.1 Eligible Enterprises

The following shall be eligible enterprises under the Fund:

a. Micro Enterprises

Micro enterprises are enterprises with less than10 employees with a total asset of less than N5 million (excluding land and buildings) and operated by sole proprietor.

b. Small and Medium Enterprises

Small and Medium Enterprises (SMEs) are defined as entities with asset base of N5 million and not more than N500 million (excluding land and buildings) with labour force (employees) of between 11 and 200.

c. Women-owned Enterprises

This refers to Nigerian women (group or individuals) or Enterprises that are at least 75% owned and or operated by female Nigerians.

1.5.2 Participating Financial Institutions (PFIs)

Participating Financial Institutions shall be Microfinance Banks, Microfinance Institutions (NGOs and Financial Cooperatives) and Finance Companies that satisfy the eligibility criteria defined in the Guideline.

a. Microfinance Banks

A Microfinance Bank (MFB) is any company licensed to carry on the business of providing microfinance services, such as savings, loans, domestic funds transfer and other financial services that are needed by the economically active poor, as defined by the Regulatory and Supervisory Guidelines for Microfinance Banks in Nigeria.

b. Microfinance Institutions

A Microfinance Institution (MFI) is an establishment registered to carry on the business of microfinance services, such as savings, loans and other financial services that are needed by its members.

c. Finance Companies

A Finance Company is a company licensed to carry on the business of providing financial services to individuals, entrepreneurs, industries as well as commercial or agricultural enterprises as defined by the CBN Guidelines for Finance Companies in Nigeria.

d. Lending Institutions (LIs)

A Lending Institutions is a Deposit Money Bank (DMB) or any other financial institutions that can provide wholesale lending to PFIs under the Fund.

1.5.3 Managing Agent

An organization appointed by the Central Bank of Nigeria to manage the MSMED Fund and its day-to-day operations.

It shall have a Steering Committee constituted in line with its approved shareholding structure and chaired by the Governor, Central Bank of Nigeria. Other members shall include:

(a)The Deputy Governor, Financial Systems Stability

(b)Representatives of:

- Federal Ministry of Finance
- Nigeria Deposit Insurance Corporation
- National Association of Microfinance Banks
- National Association of Non-Bank Microfinance Institutions
- National Poverty Eradication Programme
- Small and Medium Enterprises Development Agency of Nigeria
- Ministry of Women Affairs and Social Development

(c) Development Finance Department of CBN to provide the Secretariat

1.6 Monitoring and Evaluation Framework

- The financed projects shall be subject to on-site verification and monitoring by the CBN, the Managing Agent and PFI during the loan period. There shall also be off-site ICT based reporting system to provide up-to-date information on the Fund's activities. · Reports of the monitoring exercise shall be shared with the concerned PFIs.
- MA and CBN shall leverage Apex Association's capacities and information in monitoring and evaluation.
- CBN to also periodically evaluate the activities of the MA and PFIs to ensure achievement of the objectives of the Fund.

CHAPTER TWO

2.0 WHOLESALE FUNDING

2.1 Overview of Wholesale Funding

The Wholesale Funding shall be one of the major commercial activities of MSMEDF. In consonance with most micro economic activities, the Fund shall be disbursed as short term, upfront bulk facilities (usually for maximum of 3 years for SMEs lending) to PFIs to enable them on-lend to their clients.

2.2. Objectives of Wholesale Funding

The objectives are to:

i. Provide upfront facility for on-lending to qualified and eligible PFIs.
ii. Improve the capacity of the PFIs to meet credit needs of MSME.
iii. Reduce the cost of funds of the PFIs and ensure that this translate into cheaper borrowing costs for the MSMEs.

2.3 Participating Financial Institutions (PFIs)

The PFIs under the Wholesale Funding arrangement shall include all Microfinance Banks, Non-Bank Microfinance Institutions (NGO-MFIs)/Financial Cooperatives and Finance Companies.

2.4 Eligibility Criteria for PFIs

2.4.1 Microfinance Banks & Finance Companies

For a microfinance bank/finance company to be eligible for wholesale funding, it shall satisfy the following conditions as obtained from its latest CBN and NDIC examination reports:

- Compliance with Regulatory Capital
- Compliance with prevailing Prudential Ratios
- Average deposit growth rate of 20 % per annum(for institutions operating for over 2 years)
- Average clientele base growth rate of 20% per annum(for institutions operating for over 2 years)
- Risk Management Framework acceptable to the regulators
- Corporate Governance Culture acceptable to the regulators and as indicated by:
  - Adherence to Sound Ethical Values
  - Degree of Separation of Ownership from Control/Management
  - Number of non-performing Insider Related Facilities
- Evidence of Membership of apex association and up-to-date payment of annual subscription
- Compliance with up-to-date and timely rendition of monthly returns to the CBN as stipulated in the revised Microfinance Policy, Regulatory and Supervisory Framework of Nigeria.

2.4.2 Microfinance Institutions (NGO/MFIs and Financial Cooperatives)

- Registration with Corporate Affairs Commission or Cooperative Department of the States or Federal Government.
- A corporate profile acceptable to the MA
- Evidence of a Risk Management Framework acceptable to the Managing Agent (MA).
- Soundness of Corporate Governance acceptable to the MA.
- Submission of six (6) months statement of account from the bank where they have maintained account;
- Membership of the apex association with evidence of up-to-date payment of subscription.
- Compliance with up-to-date and timely rendition of monthly returns to the CBN as stipulated in the revised Microfinance Policy, Regulatory and Supervisory Framework of Nigeria.
- Reference Letter from a third party guarantor acceptable to the MA.

2.5 Limits of Wholesale Funding

2.5.1 Loan Amount

Maximum loan amount shall be as indicated in the table below or 100% of Shareholder's Fund Unimpaired by losses for participating MFBs and Finance Companies desirous of facilities in excess of the amounts shown in the table below. All the facilities will have option of roll-over upon satisfactory utilization.

SN	Financial Institution	Facility Limit
1	Unit Microfinance	N10 million
2	State Microfinance	N50 million
3	National Microfinance	N1 billion
4	NGO/MFIs	N5 million
5	Financial Cooperatives	N5 million
6	Finance Companies	N5 million

On-lending to clients shall be based on the assessment by the PFIs, but subject to the provisions of the Single Obligor Limit as specified in the Prudential Guidelines of the Central Bank of Nigeria.

2.5.2 Interest Rate

The Fund shall be administered at an interest rate of 9% to the PFIs with a spread of 6 % bringing the lending rate to a maximum of 15 % per annum. This is however subject to review by the Steering Committee of the Fund. However, SMEs seeking facilities for asset acquisition are entitled to an appropriate moratorium to be decided by the MA, on case by case basis.

2.5.3 Loan Tenor

The facility shall have a maximum tenor of 3 years depending on the type of enterprise (MSME).

2.6 Documentation and Other Requirements

Eligible institutions shall submit their applications for Wholesale Funding along with the following documents:

i. Latest financials of the PFI (Management Accounts will be acceptable in lieu of Audited Accounts)
ii. Certificate of Incorporation evidencing the registration or incorporation of the PFI with the Corporate Affairs Commission and or relevant agencies.
iii. Within 7 days of the receipt of the requests, the Managing Agent shall inform the banks in writ ing, the status of their application.
iv. Rejection of an application for wholesale funding by the MA shall be communicated to the PFI.
v. An on-lending agreement shall be signed between Managing Agent and the PFI if the application is approved.
vi. In addition to the above, a PFI shall be required to submit a list of customers that benefited from the Wholesale loan; not more than three (3) months from date of disbursement of the loan to the PFI.
vii. The PFI shall provide evidence of submission of names of beneficiaries of Wholesale Fund to licensed Credit Bureaux.
viii. Irrevocable Standing Payment Order signed by authorized signatories of the PFI to debit its account with its correspondent DMB to recover the principal and accrued interest of the Wholesale Fund and remit same to Managing Agent.

2.7 Acceptable Collateral

A combination of the following collaterals shall be accepted by the MA as security for the exposure to PFIs:

i. Legal Mortgage over acceptable and appropriately valued assets including undeveloped land.
ii. Guarantees from promoters of PFIs and their partners that is acceptable to the MA.
iii. Any other collateral acceptable by the MA from time to time.

2.8 Interest Drawback Programme (IDP)

In order to reduce the interest burden on the borrowers and encourage good borrowing and repayment culture, an Interest Drawback Programme (IDP) shall be enjoyed by borrowers who repay their loans as and when due.
The IDP shall be to the tune of 40% of the interest paid within the tenor of the facility. The IDP may be varied from time to time by the Managing Agent but the objective remains to retain effective borrowing rate to the clients, as much as possible, within single digit interest rate.
All applications for IDP shall be made by the PFIs, on behalf of their customers with the following details:

- Name
- location
- Amount
- Due Date
- Date Repaid
- Interest Rate
- Interest Paid
- Interest Draw Back Due

Upon filing of request for payment of the Interest Drawback, the Managing Agent shall authenticate the schedule and if found correct in all respects, shall jointly sign the schedule with the PFI official. Thereafter, PFIs accounts shall be credited within 15 days for immediate crediting of the account of the customers. The PFIs shall accordingly inform the Managing Agent of the date the transaction is concluded on the customer’s account.

For SMEs whose tenors are one year and above, satisfactory operation of the account in line with conditions of the offer is eligibility for IDP. In this case, the IDP is deemed due every quarter and will be paid upon request by the MA according to conditions already outlined above.

2.9 Discontinuation of the Wholesale funding Facility

Whenever a facility is repaid or is otherwise discontinued, the PFIs shall advise the Managing Agent immediately, giving particulars of the facility. Any outstanding amount under the facility shall be refunded to the Managing Agent.

CHAPTER THREE

3.0 GUARANTEE FACILITY
3.1 Overview of Guarantee
As different from existing guarantees being operated by the Central Bank of Nigeria, the MSMEDF guarantee is aimed at encouraging Deposit Money Banks (DMBs) and other financial institutions to lend bulk money to MFBs and MFIs and also sustainably nurture a long term business relationship between the two categories of institutions. The guarantee will thus be on behalf of the MFB/MFIs and in favour of the Deposit money banks.

3.2 Objectives of the Scheme
The objective of the Guarantee is to provide incentives to Deposit Money Banks to increase lending to MFBs/MFIs. This is expected to, in turn, boost activities of diverse MSMEs with its numerous positive effects on the Nigerian economy. The Guarantee shall be 80% of the loan granted to the PFIs.

3.3 Modalities
- An MFI or MFB will apply to the LIs for wholesale loan/Fund.
- The loan request would be appraised by the LIs to ensure that it is meant for an eligible economic activity and satisfies its lending policies and conditions.
- The LI, if satisfied, will approve the loan request by the MFB/MFI.
- The LI will apply to the MSMEDF for guarantee to cover the loan
- The MSMEDF shall appraise and if found eligible, issue guarantee certificate to back it up, upon approval of the request from the LI.
- Both the LI and the MSMEDF will monitor the utilization of the loan.
- The MSMEDF pays the LI when default occurs on the part of the MFB/MFI once LI calls the guarantee.

Notice shall be filed:
- 30 days after default for Micro enterprise loans
- 60 days after default for small enterprise loans and
- 90 days after default for Medium enterprise loans.
    - The MSMEDF shall pay the LI 90 days after notice of default
    - The LI shall follow-up on the outstanding balance with the MFB/MFI for collection and what is collected will be shared pro rata (by LI and MSMEDF) based on the guarantee.

3.4 Participating Financial Institutions (PFIs)
These are all Microfinance Banks, Non-Bank Microfinance Institutions (NGO-MFIs), Financial Cooperatives and Finance Companies that wish to borrow from Deposit Money Banks to sustain their operations.

3.5 Eligibility Criteria for PFIs
3.5.1 Microfinance Banks

For a microfinance bank/Finance Company to be eligible for guarantee under the Fund, it shall satisfy the following conditions as obtained from its latest CBN and NDIC examination reports:
- Compliance with Regulatory Capital
- Compliance with prevailing Prudential Ratios
- Risk Management Framework acceptable to the regulators
- Acceptable Corporate Governance rating
- Compliance with up-to date and timely rendition of monthly returns to the CBN as stipulated in the revised Microfinance Policy, Regulatory and Supervisory Framework for Nigeria.
- Evidence of Membership of apex association and up-to-date payment of annual subscription

3.6 Mechanism for Operation of the Scheme

i. Limit
The guarantee cover shall be a maximum of 80% of amount in default.

ii. Guarantee Fee
The guarantee shall attract 1 % of its face value, payable upfront to the Fund.

iii. Interest Rate
The interest rate to be charged by the LIs for loans to PFIs as well as the on-lending rate by the PIs to the clients shall be market determined.

iii. Tenor
The guarantee shall have a maximum tenor of 3 years.

3.7 Acceptable Collateral

Any of the following collaterals may be acceptable to the MA as security for exposure to PFIs under its guarantee scheme:

i. Legal Mortgage over appropriately valued asset including undeveloped land.
ii Guarantees from promoters of PFIs and their part ners
iv. Any other collateral acceptable by the MA from time to time.

3.8 Application for Guarantee

All applications for guarantee by LI under the Scheme shall be made directly to the Fund in the prescribed format indicating details of the wholesale loans approved for the PFI.

Applications received by the Fund shall be processed within 10 working days.

3.9 Documents to be submitted by the LIs

i. The application for a guarantee
ii. Application for wholesale facility from the PFI
iii. Executed Offer Letter of the lending institu tion.
iv. Repayment schedule between the LI and the MFB/ MFI.

3.10 Guarantee Certificate

Each approved application for the LI would be issued with a “Guarantee Certificate”

3.11 Enhancement of Credit Facility

Under the guarantee scheme, LIs are permitted to extend credit facilities to PFIs above the guaranteed amount provided that due diligence has been followed. The LIs shall apply to the MA for an enhancement of guarantee to cover such facilities. However, any enhancement above 25% shall be subject to prior approval by the MA.

All guaranteed loans eligible for enhancement by the MA would be issued with a “Certificate of Enhancement”

3.12 Invoking the Guarantee

(i) In the event of default, the LI shall serve the Fund with “Notice of Default” attaching all correspon dences between the LI and PFI since the default was noticed.

(ii) After giving “Notice of Default”, the LI shall make its best efforts to recover the amount in default and may dispose of any security obtained in respect of the loan, if possible.

If any balance remains outstanding after the above step has been taken, or where the recovery of any amount outstanding is impracticable, the LI may apply to the Fund for payment on “Guarantee Claim Form” in accordance with terms of the guarantee.

(iii) A claim under the guarantee shall be submitted by the Head Office of the LI to the Fund. In order to facilitate prompt settlement of claim, the LI shall ensure that the application is complete in all respects and that the pre-requisites as set out under the Scheme are duly complied with.

(v) If the claim is in order, the amount payable under the guarantee will be remitted to the account of the claiming LI. A receipt for the amount so paid should be issued immediately by the LI to the Fund.

Upon a payment being made as provided for above, the Fund shall be deemed to have been discharged from all its liabilities under the guarantee.

The amount received from the Fund in settlement of a claim under the Scheme must not be credited to the account of the defaulter who will remain liable to the lending bank.

(vi) After invocation of the guarantee, the LI shall con tinue to exercise due diligence in recovering the amount.

(vii) LIs may apply for write-off of the settled claims in their books after a period of 12 months.

(viii) In the event of recoveries after payment of claims by the Fund, the LIs must notify the Fund within 10 working days. Such recoveries shall be shared in the ratio of 80:20 between the Fund and LI respectively.

3.13 Discontinuation of a Credit Facility

Whenever the facility is repaid or otherwise discontinued, the LI shall advise the Fund immediately. The LI is expected to return the guarantee certificate to the Fund within 5 working days of full repayment of the facility.

Continued Next Edition

Social Media: THE GOOD, THE BAD THE OPPORTUNITIES

By EUNICE SAMPSON

Human communication has evolved over time. During the oral traditional stage, humans developed his ability to speak and communicate face to face with one another. This was followed by the stage of images during which period they communicated through signs and symbols. Later, the writing tradition evolved pioneered by the Chinese and Europeans. The revolutionary age of the mass media followed, characterized by the emergence of photography and electronic images. The radio, television and filming technologies evolved during this stage in the evolution of human communication. This last stage which began at around 1814 with the release of the first photographic image by Joseph Nicéphore Niépce and through the 1950s with the emergence of television sets, was where we were before the digital age was born.

The digital age is where we are now. It is believed to have started in 1994 with the US government's liberalization of the use of the internet and the World Wide Web. That was nineteen years ago. But with the great milestones so far recorded in digital communication since then, it seems to most of us like a lifetime ago. Today, we wonder how we ever survived those decades

without the use of digital communication tools, popularly described today as the Social Media or the Social Network.

What is Social Media?

The social media is an offshoot of modern digital communication. The term is used to describe a set of electronic tools (including web based and mobile based applications) that promote interaction and the sharing of information on real time basis. One of the biggest advantages of today's social media is the ease of sending messages to billions of people in different parts of the world at the speed of a heart beat. Social media applications include blogs, Facebook, twitter, YouTube, Flickr, LinkedIn, Yahoo!, MySpace, Google, among several others. Social media engines help people around the world to establish, build and nurture relationships through a two-way, real time digital communication interface.

Perhaps the superiority of today's digital age compared to other communication ages stems from the vast population and space we reach in no time. The social media has helped man to close all geographic and temporal barriers to communication. It could be said that man has never had it this good in the ease and speed with which he generates, processes, sends, receives, stores, retrieves and disseminates information and messages, some of which are critical and life-changing. As it applies to individuals, so it does to nations, firms, communities and diverse organizations and social groups.

Interestingly too, the advent of the social media has helped us to overcome another major barrier to communication – costs. Before now, it cost an arm and a leg to deliver messages and documents from one end of the earth to the other, not to mention the number of weeks and months it took to achieve same. But today, vital documents are delivered at the touch of the button and at little or no cost to the sender or receiver. Moreover, when the social media started evolving almost two decades ago, not all could afford to use it. For example, the average cost of internet access in the US as at 1998 was \$1200 per Mbps. By 2013, this had dropped drastically to \$1.57 and is forecast to drop even further by 2015 to \$0.63 (see table below). This same trend is applicable in every nation of the world.

With the new digital age, the need for physical presence before humans can receive messages and information has been eradicated forever. Also gradually on its way out is the need for printed documents and information. Since we can now send and receive information digitally, it is no longer expedient that such information be printed. Rather, printing is now discretionary. To the excitement of environmentalists around the world, a completely paperless world is looking very possible and it won't be too long before we get there. At this pace of digital communication evolution, we foresee an era soon when all countries will review their constitutions to allow as concrete, viable evidences in courts of law, the admittance of data and documents stored in social media devices such as mobile phones, iPad, laptops and many others.

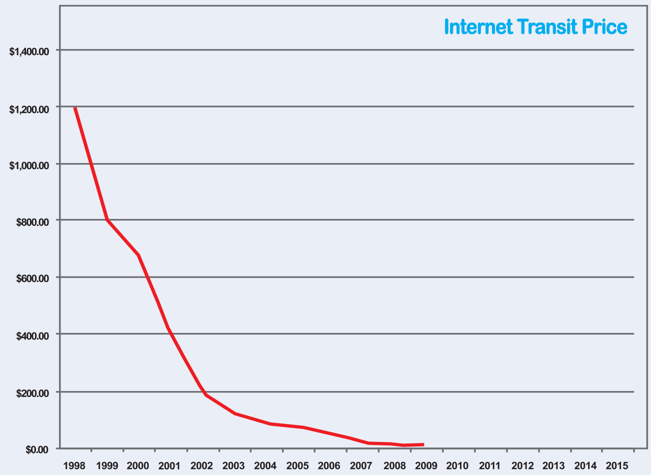
Social Media Opportunities

Perhaps no trend since the evolution of man has reshaped the universe as the social media. Virtually every aspect of our being have been and is being influenced! The new digital world presents to us new opportunities so vast that at times, the discerning mind wonders if we could ever fully exploit them all! Below are some of the opportunities offered by the social media.

Businesses – The social media offers a whole new way for corporations to conduct their businesses. Today, the social media is used by firms and institutions as a platform through which they advertise their products and services. Others use it as a Consumer satisfaction measurement tool. Yet others use it for business intelligence, market research, product launch and the provision of general and specific customer services. Overtime, it has also become an avenue through which they actually sell their products and services in exchange for digitally transmitted cash.

E-banking – Perhaps one of the biggest innovations presented by the digital age is the now very sophisticated, widespread and diverse electronic banking products and services. Today, industries as risk averse as financial institutions have evolved ways of using social media including Facebook to initiate and complete their full business circle, from account opening to all forms of withdrawals and transfers, without any form of manual or face to face intervention in between.

Marketing & Advertising – Thanks to the social media, even the smallest of businesses can now create aware-



Source: DrPeering.net

ness on the products and services they offer. Several websites exist that help buyers and sellers to connect at little or no cost. For those SMEs that are aware, a new vista of marketing and advertising opportunities has been created for them by the digital world. And those that effectively leverage this are able to improve their business growth and profitability. Besides, with mobile social media tools such as the blackberry messenger, Whatsapp, and many others, fortune-changing business information can be transmitted at the speed of light to peoples around the world, and at no cost.

Consumer protection – The social media has brought about a whole new way for consumers to communicate and express themselves. Since the advent of the internet, Facebook, twitter, blackberry messenger, Whatsapp, and many others, consumers have been armed with the tools needed to express their grievances about unsatisfactory products and services, and also, their approval for those they find satisfactory and worthwhile. This new power in the hands of consumers has no doubt helped to improve products quality and customer service practices around the world. Corporations big and small are aware that a negative consumer campaign could ruin their product or firm while a positive one could be a major market boost.

With the advent of the social media, customers can now tell brands exactly what they want and be sure to get it. Consumers have become effective watchdogs in the industries where they have interests, and this has helped to keep manufacturers and service providers on their toes.

On the other hand, consumers can now enjoy better deals in their purchases and services. The social media gives the consumers an opportunity to enjoy value adding offers, including highly reduced prices and free shipping and deliveries. People can today shop from any part of the world, from the comfort of their rooms and be sure of getting value for their money.

Education – Schools and students have found in the social media a convenient tool to receive, impact and share knowledge. Hundreds of universities around the world now offer certificate, degree and postgraduate programmes run strictly online. This has removed the need for the traditional classroom education. Also removed are hitherto geographical barriers to quality education and the high cost of acquiring classroom learning.

Aspiring students in any part of the world can obtain degrees and certificates from universities and other institutions of their dreams without leaving their countries of residence. Since

the cost of online programs are a lot cheaper than that of traditional classrooms, education has been made more widespread and accessible. The global reservoir of skills and knowledge has been expanded since the advent of digital communication.

Research – One of the most outstanding achievements of the social media is its contribution to the body of knowledge. The task of the researcher is to find, use and disseminate information. The social media offers a range of tools with which the researcher can achieve these, seamlessly.

The search engine has become a critical research and learning tool, offering a limitless pool of data on limitless subjects and issues. Today, finding information is as simple as entering words into a search engine (Google, Yahoo, etc) and the needed information can be obtained within seconds rather than hours and days. Research assignments that could have taken months to complete prior to the advent of the social media can now be concluded in hours or days. The social media provides an excellent pool of easily accessible information on virtually any topic under the sun.

Globalization – The phrase *global village* came into existence following the advent of digital communication. Every day, new innovations in the social media continue to shrink the world even further. Perhaps one of the most recent impacts of the social media on globalization is the former's ability to break the hitherto insurmountable language barrier. Today, web applications exist that make it possible for people whose languages are not mutually intelligible to communicate seamlessly and near effortlessly.

http://news.oreilly.com/2008/06/13/goohoo/yahooBuilding.jpg

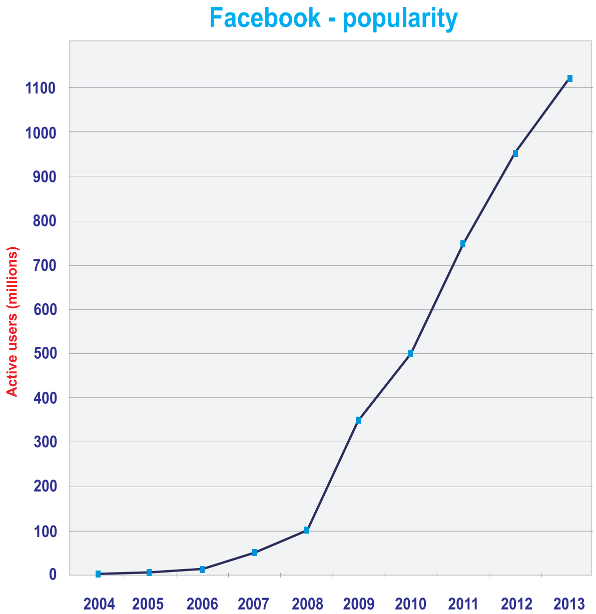
New tools such as Google Translate, Translation by Babylon, Global Voice, Bing Translator, and other translation services ensure that the social media breaks these age long communication barriers. These tools allow people with common interests but in different countries to connect with one another no matter the language they speak. Interestingly, breaking language barrier has helped to improve business and commercial relationships between individuals and companies around the world. People that would ordinarily not be able to transact businesses owing to such barriers are now able to reach the global market place easily, to buy, sell and advertise; thereby improving the chances of economic empowerment at the individual, corporate and national levels, and at little or no costs too.

Internet Transit Prices (1998-2014) USA

Year	Internet Transit Prices (in Mbps, min commit)		% Decline
1998	$1200	per Mbps	
1999	$800	per Mbps	33%
2000	$675	per Mbps	16%
2001	$400	per Mbps	40%
2002	$200	per Mbps	50%
2003	$120	per Mbps	40%
2004	$90	per Mbps	25%
2005	$75	per Mbps	17%
2006	$50	per Mbps	33%
2007	$25	per Mbps	50%
2008	$12	per Mbps	52%
2009	$9.00	per Mbps	25%
2010	$5.00	per Mbps	44%
2011	$3.25	per Mbps	35%
2012	$2.34	per Mbps	28%
2013	$1.57	per Mbps	33%
2014	$0.94	per Mbps	40%
2015	$0.63	per Mbps	33%

Source: *Source: DrPeering.net*

Employment generation – One of the most common uses of the social media is as a recruitment tool, espe-



Source: Wikipedia

cially for advertising job vacancies and receiving applications. Beyond this however, some employers and recruitment agencies have gone a step further to use social media applications to conduct initial interviews of candidates. In fact, more and more companies are conducting online job interviews for their convenience and for cost effectiveness.

Virtual office - Even more interesting today is the fact that millions of people now get full and part time employment on the internet and other social media. Such online jobs include paid blogging, e-torturing, online advert sourcing, and many others. Today, a lot of people work from the comfort of their homes using these social media tools as their offices.

From being an emerging trend as it currently is, the virtual office will be the norm of tomorrow. In just a couple of decades, working from home using the social media will not only become the trend for individuals who are self employed but for major companies and multinationals. It promises to be a major competitive edge in the nearest future. This is especially so as most companies today struggle with cost cutting and reductions in overhead spending.

Research has proven that most employees that are desirous of working from home are also willing to take less pay for their services. Besides, virtual workers have the privilege of doing more than one job and developing multiple streams of income, which, combined with the privilege of proximity to their loved ones give them an added sense of satisfaction.

Public governance – the social media has helped to improve not only democratic governance but also, democratic thinking around the world. Even for countries which political ideology does not necessarily support democratic norms, the ordinary people are having their values reformed by their exposures to the social media. This explains why some countries censor access to the internet.

A good fallout of the emergence of the social media is that political and even corporate leaders are now kept on their toes. The advent of *wikileaks* and several other whistle blowing websites that the social media has thrown up helps to ensure that the governed are empowered with critical and at times classified information that helps them to compel their leaders to be more accountable and transparent. And as political leaders get more conscious of how easily their hitherto

Source: http://3.bp.blogspot.com/-MNQ-jPcGh2E/UXlFa9mODeI/AAAAAAAAPH8/U0UJSZVGxFY/s1600/Why+Social+Media+Is+A+Must+For+Any+Business.jpg secret dealings could end up in the public domain, they are forced to play more by the rules and not take their leadership positions for granted. This is a plus for responsible and people-oriented governance and also, for a more rapid economic development.

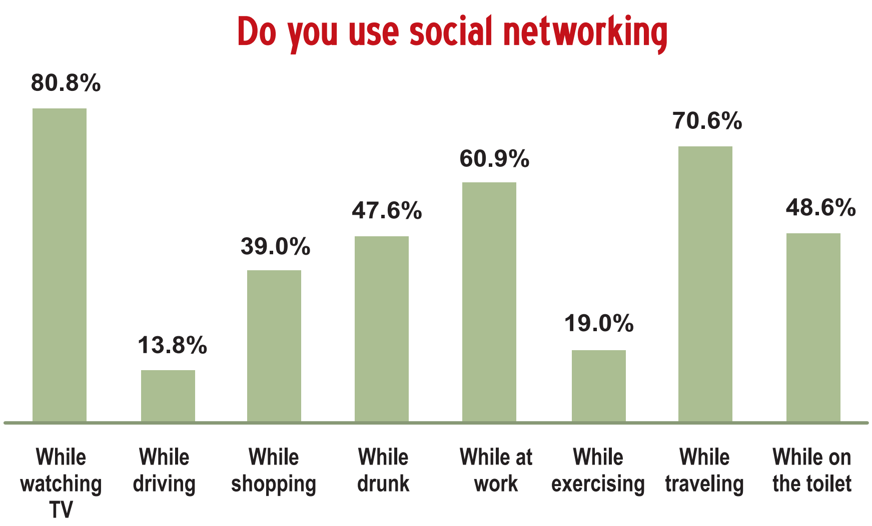
Political mobilization – The internet and other social media have achieved new relevance as critical political tools. The presidential campaigns in the US since 2004 have demonstrated the effectiveness of the social media for achieving far reaching campaigns, disseminating political manifestos and in the case of the then presidential aspirant, Barack Obama, mobilizing financial support for the propagation of political agenda. It is a fact that during his 2007 Presidential campaign, President Obama raised about half a billion dollars through small internet donations, an unprecedented feat in the history of political campaigns.

Social mobilization – The Arab Spring has become perhaps one of the most recent attestations to the power of the social media in effective social mobilization. Social media websites such as Facebook and Twitter helped nationals to organize the political revolutions in Egypt, Tunisia and Libya where it helped certain classes of activists to organize protests, communicate grievances, and disseminate information. In the end, the ordinary man on the streets emerged victorious over perceived political tyranny.

Tele-medicine – Today, long before a visit to a medical expert, people around the world are able to get a fair idea of their medical conditions through access to the social media. Moreover, essential, life saving tips about the prevention and management of medical conditions such as cancer, malaria, heart attack, tuberculosis and much more are disseminated through social media devices to millions of people, and within a twinkle of an eye.

Perhaps even more interesting is the use of such digital communication tools for telemedicine. Today, medical experts use the social media to reach, diagnose and treat their patients that may be hindered by time and distance in reaching the hospital. At least first aid prescriptions can be given for basic, uncomplicated medical conditions while the patient awaits actual hospital visit.

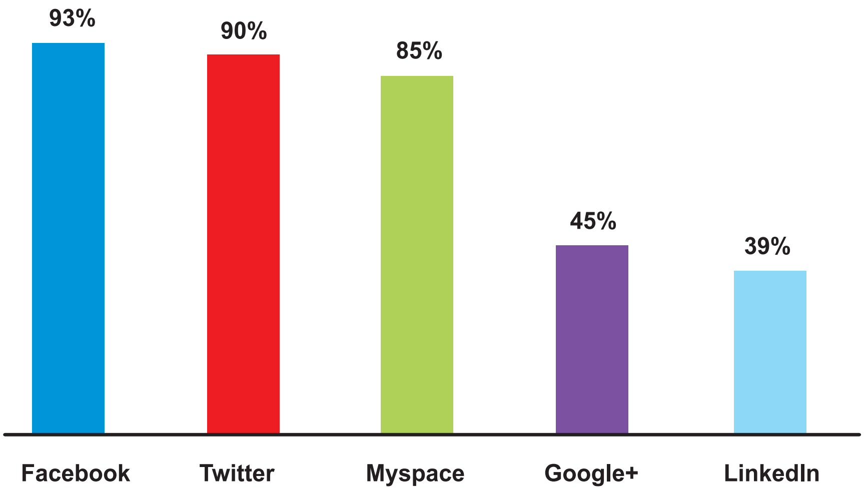
Global integration – From 360,985,492 internet users as at December 31, 2000, today, almost 3 billion people now use the internet and other social media. Almost 50 percent of the world's population has been reached, in all the continents of the earth! Considering its unrivalled reach, the social media is a veritable channel of global integration and dissemination of messages that could foster peace and non-violence. Because people now have easy access to information on ways of life and culture of other people, social, religious and cultural tolerance could now be enhanced, thanks to the social media.



www.creditdonkey.com

The Most Heard Social networking site

(% of respondents)



Source: http://www.dazeinfo.com

Cyber crimes – The social media is an easy channel for identity theft, scams, hackings, including "Black hat" hackers that write viruses with which they hack banks and commit financial fraud. The spreading use of biometrics data for banking purposes has only helped to reduce cybercrimes; it has not completely eradicated them.

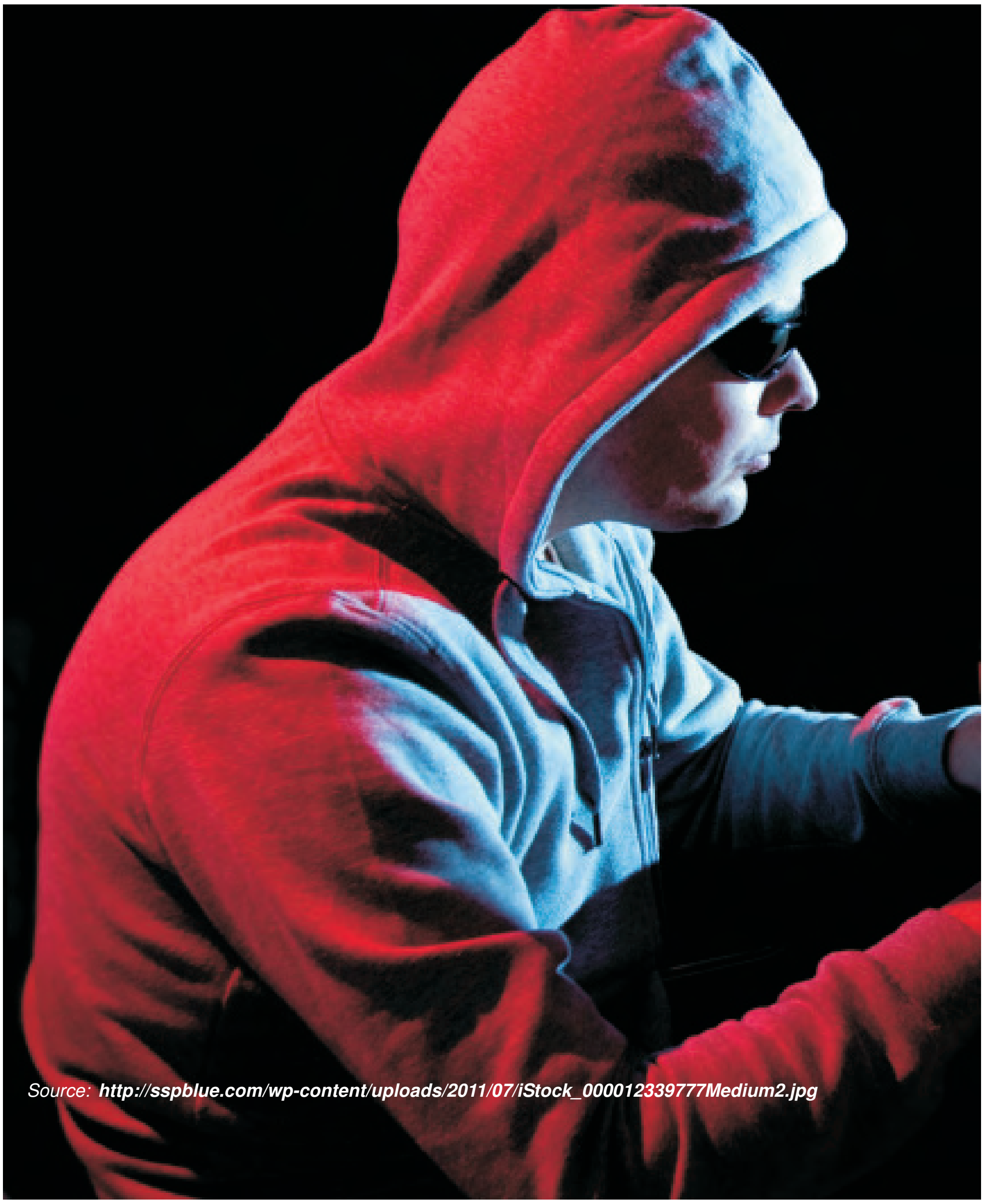
Violation of privacy – Privacy is being compromised by the ever increasing storage of personal data on servers accessible to the whole world. Some of these data have been used for fraudulent and other criminal purposes. Perhaps even more worrisome is the fact that many social media users do not realize that the data they publish online about themselves and families will stay on the cyberspace forever!

The 'BAD' Aspects of Social Media

But the internet and other social media also have bad sides to them.

Pornography - For parents around the world, proliferation of pornographic sites is perhaps the biggest headache presented by the social media. Uncensored proliferation of *pornos* constitutes one of the leading moral irritants arising from the advent of the social media. One of the most publicized activities in this regard is the ease with which adults communicate with children and at times, to the harm of the latter. Concerned parents and NGOs around the world continue to speak out against the exposure of children to unhealthy influences from the social media.

Cyber violence – Because of the liberal and mostly uncensored way the cyber space is currently run, several sites are available that preach and teach violence and socio-cultural, racial and religious intolerance. There are also several others that offer 'negative help' to people seeking to commit crime and at times self harm, including suicide. These websites offer 'how to' expert advice to their victims.



Source: ***http://sspblue.com/wp-content/uploads/2011/07/iStock_000012339777Medium2.jpg***

Proliferation of junk data – Although research is now remarkably easy, thanks to the advent of the social media, not all data published on them is accurate. Individuals are able to post information to websites without any expert reviewing them. It is often a challenge to separate the credible information from the dubious ones, to the detriment of trusting internet users.

Social seclusion – Because most hitherto social activities can now be carried out from our bedrooms, people are getting increasingly isolated from the rest of the world. Children can communicate several times a day with their parents without necessarily seeing them face to face for perhaps weeks or months. Employees can work and get paid without seeing their employers face to face. This is leading to a world where everyone is getting isolated from everyone else. Unlike in the past, people hardly ever have to go out nowadays before they can socialize. Like the name *social media* implies, the digital world has taken over the traditional face to face socialization mode.

Distractions – Employers of labour have complained that the social media constitutes a distraction to the productivity, performance and efficient deployment of the man-hour of their workers. As products of the new age, several employees today take time off to attend to social media calls to the detriment of their official duties. Even parents complain that the concentration of their wards on important issues such as their studies have been tampered by the advent of the social media.

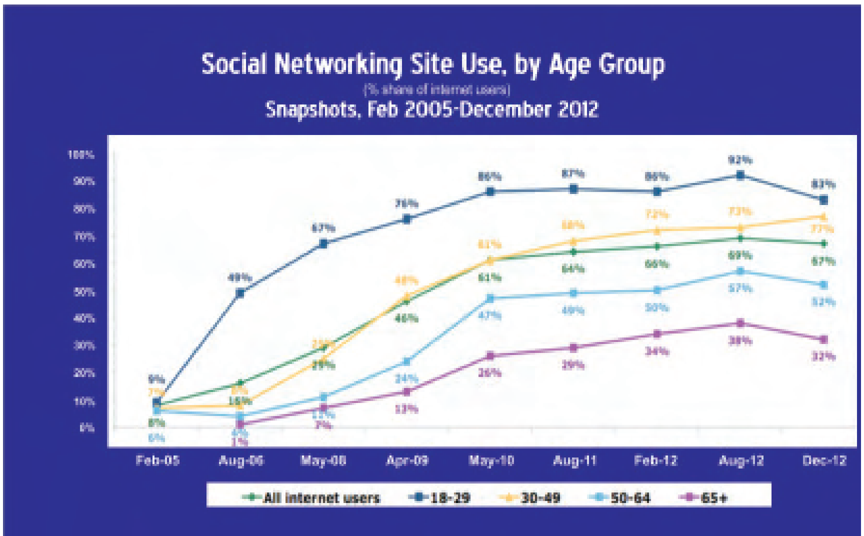
Moral decadence – Some have also argued that the social media contributes significantly to perceived moral decadence and worsening social behaviors, especially among the youths. Promiscuity, infidelity, prostitution, among others are believed to have been fanned by the advent of the social media which allows uncensored, unregulated and perhaps too easy access to different charlatans around the world.

The Future of Social Media

With the advent of the social media, life will never be the same again. The social media has been able to influence all aspects of the human life and all sectors of the global economy. With all the manifestations we see today, the world is already in awe. But there are much more to come! Software and application developers around the world spend sleepless nights everyday searching for more insights, more breakthroughs in the world of digital communication. We will therefore continue to see more wonders in this new digital world – wonders that promise to change the way we think, the way we receive, send, and interpret information; wonders that will change the way we do business, lead, govern, work, earn a living and the very way we live our day to day lives.

But we will also see more efforts as addressing the negative influences of the social media. It is expected that global leaders will censor the contents that are allowed on the internet much more in the future. With all the outcries around the world arising from the unhealthy exposure of minors to vulgar and inappropriate sites, countries will be expected to provide legal and regulatory frameworks that would guide the use of the social media.

This is all the more important since the social media is expected to reach an even wider audience in the years to come. The increasing spread of broadband and similar technologies is lowering costs of access to social media tools like the internet, mobile data and voice services. This would enhance the reach



Source: Pew Research Center's Internet & American Life Project

of the social media in the near future.

Especially now that several countries in the developing world are pursuing financial inclusion and economic integration, the phone and other mobile electronic devices would become handy tools in meeting the economic and financial needs of peoples in the remotest parts of the earth. This is especially true in the continent of Africa which had in the last decade taken the lead in the global shift from fixed to mobile telephony. As a late comer to the use of the social media, African countries have been privileged to start off with the most up-to-the-minute digital communication technologies. For example, as an analyst observed recently, the continent is already leading what may be the next global trend – a shift from fixed to mobile internet usage. Arguably, there are more mobile internet users in the continent today than there are fixed internet users.

At the rate the world is expanding, in the demographic, geographic, economic and industrial fronts, only the virtual space can comfortably accommodate everyone. But that would not make that space less competitive. Discerning individuals, governments, institutions and firms of today are already taking positions, ready to leverage whatever competitive situation the cyber world presents in the near future.

The future of today's businesses lies online, real time. The cyberspace is the place to be. And we can only hope it remains limitless and inexhaustible so that a situation does not arise where we all struggle to be accommodated, like we do today in the physical space.

With time, the social media will provide platforms that would help overcome some of the challenges that currently hinder full virtual business operations and a fully digital life, including the challenge of near face to face interaction. Thank God for Skype and similar applications; the social media is set to open up a whole new world of digital experience currently uncommon to man. Did I hear you say "We ain't seen nothing yet?"

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

The Transformation AGENDA: HOUSING Delivery And Utility

By Chuks Nwaze

THE EXPECTATION GAP

For a long time now, a major goal of successive administrations in Nigeria has been to tackle the issue of developing housing schemes for the low and medium income bracket. Although this objective has formed an integral part of the national housing policy in the past four decades, even government itself has admitted the fact that it has not achieved the desired level of impact. Today, the teeming population of Nigerians in this income group is still dreaming of owning their own homes.

But an equally fundamental matter, which is the subject of this study, is the extent to which existing homeowners are satisfied with what has been given them by governments and developers; that is, the expectation gap. In other words, what kind of houses are being built by the government and other developers or investors? And to what extent do these structures and their environments meet the basic expectations or aspirations of both present or prospective owners or occupants of these houses? What issues are relevant and what economic and social factors or parameters should be taken into consideration in the evaluation of the extent of satisfaction derived from these houses?

In order to prosecute this aspect of the transformation agenda to the satisfaction of Nigerians, it is important for the government to drive a housing policy that delivers what the market (i.e. the populace) actually needs. This can be achieved by examining the factors that account for the satisfaction or dissatisfaction among households. Since the issue of housing satisfaction is recognized as an important component of homeowners' quality of life, it stands to reason that the degree to which homeowners' needs and aspirations are matched by their housing conditions should be a concern to policy makers and investors. Unfortunately, as a result of population explosion and accumulated neglect of the housing sector, the demand for houses far outstrips supply which might convey the wrong impression that people are satisfied with whatever they get. However, a close observation will surely reveal the fact that this is not the case as several homeowners have sold their homes for not meeting their medium or long term aspirations.

There is no doubt, whatsoever, that the parameters for determining housing satisfaction should be of critical importance to current and future housing developers. This would assist them in understanding and predicting the overall satisfaction derived from their housing projects. This is the gap this study is trying to fill.

LITERATURE SURVEY

The Concept of Housing Satisfaction

Among various other competing parameters, the concept of satisfaction has become the most commonly used to evaluate the performance of housing infrastructure (Adriaanse, 2007; Kellekc and Berkoz, 2006; Paris and Kangari, 2005).

Increasing interest is shown towards the study of how households perceive of their housing and how it affects their lives. As defined by Ogu (2005), housing satisfaction refers to the degree of contentment experienced by a household with reference to the current housing situation. One common approach is the aspiration-gap approach. Under this approach, households make their judgments on housing and neighborhood conditions according to their needs and aspirations (Galster, 1987). Satisfaction with their housing and neighborhood conditions indicates a high degree of congruence between actual and desired situations. Thus, in order to reconcile the incongruity, households do consider some form of housing adjustment, such as revising their housing needs and aspirations, renovating their housing conditions, or even moving to another place (Lu,1998; Gibson, 2007).

Conceptual Framework of Homeownership

Home ownership appears to be a significant determinant of housing satisfaction. Many studies reveal that housing satisfaction is much higher among homeowners compared to renters (Rossi and Weber, 1996; Rohe and Basolo,1997; Lu, 2002; Vera-Toscana and Alteca-Amestoy, 2008). Similarly, Elsinga and Hockstra (2005) reported that homeowners are more satisfied than tenants with their housing situations in seven out of eight European countries. Barcus(2004) also found that tenure shift from renters to owners is the only significant variable in predicting housing satisfaction in urban-rural migrants in the United States. Homeownership also provides a feeling of security and personal identity and therefore higher self esteem (Rohe and Stegman, 1994). Hence, it can be safely inferred that homeowners have a feeling of self achievement, and esteem (Rohe et al; 2001).

PARAMETERS FOR HOMEOWNERSHIP MOTIVATION

Evidence abound to the effect that motivation has been an important reason for the explanation of homeownership. Psychologist Abraham Maslow generalized a very useful theory of basic human motivation from where it can be deduced that owning a house may satisfy more wide-ranging households' needs. For example, a home offers basic protection from physical discomfort or harm (i.e. shelter). A home also can provide protection against unwanted social contact (i.e. privacy). It is clear enough that shelter and privacy constitute the 'physiological' and 'safety' dimensions of needs.

In addition, most households want their houses located conveniently in relation to place of employment, schools, shops, recreational facilities and transportation (location). The appearance of the neighborhood, the quality and cost of public facilities, social environment, absence of noise and pollution and any prestige attached to the area (amenities) Tan, 2011) are also factors. Thus, location and amenities or facilities combine into the 'social', 'esteem', and 'self-actualization' dimensions of the Maslow's Theory of Human Needs.

In other words, individuals will be motivated to own a house when they see a favourable combination of what is important to them and what they expect as a reward for their efforts, and they behave accordingly. We are now going to expatiate on these parameters accordingly.

Investment in Local Facilities

There is no doubt, whatsoever, that households are motivated to be homeowners because homeownership is often thought to promote stability in the neighborhood; and one way of promoting this stability in the neighborhood is to invest in local amenities or facilities. Rossi, Weber(1996), DiPasquale and Glasser (1996) showed that homeowners are believed to be more likely to participate in local neighborhood organizations, and to associate informally with their neighbors.

The main reason for this participation in local improvement organizations is obviously to ward off outside threats by both public and private entities as well as inside threats such as poor property maintenance by some homeowners (Rohe and Steward, 1996; Tan, 2008). Besides, homeowners generally have a larger financial stake in their communities as their wealth is tied up in their homes and communities (Green and White, 1997; Tan, 2010). The argument, therefore, seems to be that increased social amenities investment in the neighborhood may lead to higher satisfaction among homeowners.

Investment in Social Capital

Another way to promote stability in the neighborhood is to invest in social capital. According to Bolin *et al,*(2003), social capital consists of all the networks, norms, structures and institutions which facilitate social interaction. In other words, homeowners invest in social capital by interacting and maintaining link with their neighbors; the returns on this investment can be obtained either directly or indirectly.

It is believed that social ties with neighbors living nearby may mitigate neighborhood instability and promote neighborhood cohesion by encouraging individuals to stay, in view of the fact that they can derive both financial and emotional support from the social network (Kan, 2007). It is also felt that moderate neighborhood organization attachment and frequent interaction with neighbors are associated with positive health outcomes of households (Carpiano, 2007; Poortinga *at al,*2008). Thus, as investment in social capital grows, it has been inferred that children raised in owned homes do better in school and are less likely to be involved in social problems (Aaronson, 2000; Harness and Newman, 2003).

Residential Stability

In addition to the above-mentioned factors, another fundamental motivation for owning a house is that homeowners generally prefer to remain in the neighborhood for long. According to Rohe and Steward (1996), if other factors are held constant, there is a positive relationship between homeownership and the length of tenure. It has been suggested that households normally own their housing units only if they are committed to remaining in the neighborhood for a long time. This has some bearing on the fact that the capital outlay and transaction costs associated with buying and selling houses are rather high.

The principle of residential stability suggests that the longer the individual stays in his house the more satisfied he becomes. One possible explanation is that through the passage of time both himself and his family become adapted to the living conditions of the environment (Amole, 2009; Mohit *et al*, 2009). In other words, given the reduced mobility that individuals possessed, it is reasonable to believe that the length of tenure is a predictor of housing satisfaction.

Financial Benefits of Homeownership

Households and individuals are also more likely to own housing units because they can obtain potential financial benefits there from. In fact, it has become important to consider house ownership as an investment for which the owner will receive attractive and positive financial return whether in the short, medium or long-term (Tan, 2008). Financial return from housing

can come in form of income, capital appreciation or even both. The income can be in form of rental payments from tenants while capital growth or appreciation comes from inflationary gains or through increase in the price of the property as a result of higher demand.

Rubens *at al* (1989) also tested the inflation-hedging effectiveness of residential property, farmland, business property as well as corporate and government bonds and common stock. They found that only residential property is a complete hedge against actual inflation shocks and that by incorporating residential property into portfolios of assets, the risk per unit return is lowered and inflation hedging is improved. Hence, the effect of the housing return is expected to influence the extent of housing satisfaction.

Households and individuals are also more likely to own housing units because they can obtain potential financial benefits there from.

A CASE STUDY OF FESTAC TOWN COMMUNITY, LAGOS

Although the Festac Town residential community in Lagos, Nigeria, has been used as a case study, the above literature survey makes it abundantly clear that this topic has general applicability. This expansive housing estate was built by the government specifically for the 1977 Festival of Arts and Culture (FESTAC) which attracted participants from the entire African continent and beyond. After the event, the housing units were auctioned and sold to willing and able Nigerians. Sadly, however, most of the original buyers have since divested, just as many of the present occupiers are searching for buyers. The reason for this state of affairs, which is the expectation gap, is the subject matter of this study.

METHODOLOGY

It is important to bear in mind that what we are trying to do is to test the efficacy of the assertions made in the above literature survey in our local environment, with particular reference to Festac Town in Lagos which is a large and typical concentration of house owners with varying characteristics.

Survey Questions

The basic instrument adopted was the use of **questionnaire** and the respondents were a sample list of households in Festac Town. The list itself was obtained from a prominent estate agency firm. To ensure sufficient variations in responses, data were collected directly from respondents through e-mail and hand delivery, using stratified random sampling. However, of the 500 distributed survey forms, only **150** forms were returned and used for this study within the short time available. The questions were based on the parameters extensively defined in the prior literature survey on local amenities investment, social capital investment, residential stability and financial benefits. In addition, some of the respondents were also interviewed orally and their views incorporated into the study.

The responses were ranked and recorded on a five (5) point scale in descending order as follows:

5— Most important; not negotiable
4—Very important; difficult to overlook
3—Important factor; however, it is occasionally waived
2—Not of much significance; overlooked most of the time
1—Not considered; other factors are taken into consideration

Distribution of Respondents

The table below shows the distribution of respondents by gender, marital status, age, educational background and type of residence presently occupied.

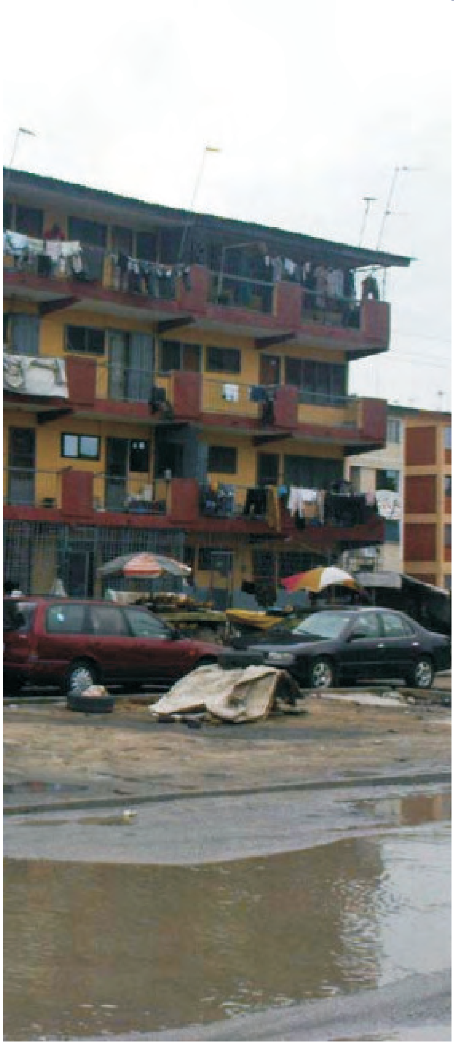
	Frequency	%
Gender		
Male	105	70 %
Female	45	30 %
Marital Status		
Single	45	30 %
Married	105	70 %
Age of Respondents		
Under 30	3	2%
30-40	271	8%
40-50	45	30 %
Above 50	75	50%
Educational Qualification		
Primary	6	4 %
Secondary	39	26 %
Tertiary	75	50%
Others	30	20%
Type of Residence Occupied		
High Rise	60	40%
Terrace	45	30%
Semi-detached	30	20%
Detached	15	10%

SUMMARY OF FINDINGS

Summary of Responses

The following table summarizes the weighted average position of all the 150 respondents that returned their questionnaires which contained a total of fifteen questions grouped into four parameters.

Parameter	Max. Score	Actual	%
Investment In Local Facilities			
I participate in local community projects	5	2	40
I am a member of residential association	5	3	60
I contribute time and effort to improve the neighborhood	5	2	40
I involve in local improvement groups in the neighborhood	5	2	40
Investment In Social Capital			
I socialize with my neighbors	5	3	60
My neighbors are friendly	5	4	80
My neighbors are helpful	5	4	80
My neighbors look after my property when I am away	5	3	60
Residential Stability			
I stay in the neighborhood longer due to my neighbors	5	3	60
I stay due to the amenities	5	5	100
I stay in the neighborhood longer due to high relocation cost	5	5	100
Financial Benefits			
Property has potential for income gains	5	5	100
Property has potential for capital gains	5	5	100
Property is a good hedge against inflation	5	5	100
Property is a good investment for retirement	5	5	100
Property is good investment for children education	5	4	80



http://funnelme.files.wordpress.com/2011/03/festac-town_block-of-flats_00.jpg

INTERPRETATION OF RESPONSES

The following inferences can be made from the above result:

• By far the greatest source of motivation for individuals to own or acquire their own houses revolves around the financial benefits derivable there from.

• However, whether or not they will end up physically living in that environment depends on the extent of residential stability, local amenities and social capital.

• Although local amenities and social capital investment are also important, these are not priority issues when prospective house owners are taking decision whether or not to buy a property. These factors are considered while deciding whether or not to live in a particular environment.

• According to some of the house owners who were physically interviewed, they do not wish to be burdened with local facility improvements which is obviously within the realm of government whose primary responsibility it is to provide basic infrastructure for the society in general and residents of housing estates in particular, especially those built by the government.

• The four parameters employed in this study (i.e. local amenities, social capital, residential stability and financial benefits) are not necessarily standing individually. Each of them is pulling the others, even though in varying degrees.

• All the above factors are important, though not equally important. In other words, there is no redundant factor in the decision-making grid. Everything is considered.

By far the greatest source of motivation for individuals to own or acquire their own houses revolves around the financial benefits derivable there from.

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CONCLUSIONS AND RECOMMENDATIONS

Although this study focused on Festac Town residential community which is a small part of Lagos, the findings are fundamental and typical of the state of affairs in most parts of Nigeria. Hence, the following conclusions and recommendations can be reached:

1. Due to population explosion coupled with the long neglect of the housing sector, the demand for houses by far outstrips the supply. This yawning gap has driven the cost of houses well beyond the reach of the vast majority of Nigerians, in addition to the inflationary trend which is also pushing up the cost of mortgage on a daily basis. The way out of this is for government to build more and more houses and estates.
2. Nigerians are buying houses not necessarily because they want to live in that location permanently but also because they are fully aware of the huge potential for both income and capital gains. This speculative tendency is helping to further increase the cost of landed property.
3. Whether or not the house owner will physically occupy the property on a long term basis depends on other factors which include, but are not limited to, the state of infrastructural facilities. This is also an area in which the government has a vital part to play by providing social amenities.
4. It should not be assumed that the reason why most house owners have been living in their houses for long is because their expectations have been met in terms of housing satisfaction. It is more likely that they are in the low and middle class brackets and cannot afford the relocation cost which is also very high.
5. Since the provision of comfortable and affordable houses for the generality of Nigerians is also a cardinal component of the transformation agenda of the present administration, it stands to reason that the tastes and preferences of the people should always be factored into the equation.

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

Towards A Greater Investment Drive in Nigeria: The Free Trade Zone Option

*By **Sunday Enebeli-Uzor**

In the last three decades, Free Trade Zones (FTZs) have gained prominence as veritable policy instruments for achieving economic diversification, enhanced Foreign Direct Investment (FDI) inflow and job creation. In Nigeria, FTZs have attracted an estimated $10.4billion investment since their inception, and are projected to attract $15billion worth of new investments in the next five years. Considering the enormous potential of free trade zones in positioning a country's resource base for competitive advantage, the performance of FTZs in Nigeria deserves more than just a cursory look. In fact, as the race to attract global capital gains momentum, it is pertinent to accord the FTZs a great deal of attention. To this end, the *Federal Ministry* of Industry, *Trade and Investment recently constituted a* committee to review the operations of free trade zones in Nigeria, so as to position them to contribute more significantly to the country's economic growth and transformation.

Conceptually, Free Trade Zones (FTZs) are clearly delineated, special industrial parks within a nation's customs and trade regime that provide certain reliefs to export oriented firms. They are essentially special economic enclaves within a country where companies enjoy preferential treatment in tariffs, deferral or elimination of customs duties, liberal profit repatriation regulation, increased security, simplified administrative procedures, insurance on goods, and relatively lax labour standards. Free trade zones also permit importation devoid of restrictions. Generally, free trade zones offer fiscal incentives that go beyond those offered to investors in the wider economy. It is an area where a country has agreed to reduce or eliminate trade barriers. In a free trade zone, goods may be landed, handled, manufactured or reconfigured, and re-exported without the intervention of the customs authorities. Also, goods may enter into the general market of the importing country. However, when the goods are moved to consumers within the country in which the free trade zone is located, they become subject to the prevailing customs duties.

Logistically, free trade zones are more often situated around ports of entry; seaports, international airports, national frontiers, and major trade routes. But they operate apart from the traditional ports of entry and are guided by different rules. This location facilitates easy entry to the zone as well as the exit and entry to the customs territory. It also provides Customs officials with easier access to the port and FTZ. Items listed as prohibited merchandise – items that are forbidden by law to enter a country, cannot be admitted to a free trade zone. But certain types of restricted merchandise

such as items which may require a special license or permit may be allowed. In most cases merchandise entering and exiting an FTZ must be accompanied by commercial documents, for example a bill of lading and a commercial invoice.

Free Trade Zone is not a recent phenomenon in trade facilitation as it has existed for centuries dating back to at least around the 15th century in Europe. Then, FTZs were used as central locations on international trade routes, serving as hubs for trade and transshipment. However, after the Second World War, FTZs sprang up throughout the world. The late 20th century witnessed a proliferation of free trade zones due to globalisation. Over the years, free trade zones have become important development centres in several countries seeking to attract foreign direct investment and enlarge their trade frontier. They have also become essential instruments in employment creation and absorption of excess labour. In some instances, FTZs have been used as powerful political tools in global diplomacy. FTZs have evolved to become major attraction for large corporations that control global production chains as they seek to invest and produce in free trade zones where they can benefit from preferential trade. They have also metamorphosed from being static, labour intensive, incentive-driven and exploitative enclaves to investment-intensive, management-driven hubs of growth and innovation, and integrated economic development tools.

Out of the twenty-five existing free trade zones in the country, nine are fully operational, six are under construction; four are at the design stage while six others are yet to take off. Broadly, Nigeria has two types of free trade zones – the specialised, and the general-purpose trade/export zone.

Free Trade Zones in Nigeria

Through the instrument of an enabling Act in 1992, Nigeria joined the league of countries with free trade zones. However, Nigeria's first FTZ – the Calabar Free Trade Zone was fully completed in 1999 and commenced operation in November 2001 as a government wholly owned free trade zone. Since then, twenty-four additional free trade zones have been registered while eleven are at various stages of appraisal, awaiting approval. Out of the twenty-five existing free trade zones in the country, nine are fully operational, six are under construction; four are at the design stage while six others are yet to take off. Broadly, Nigeria has two types of free trade zones – the specialised, and the general-purpose trade/export zone. For effective management of these zones, two bodies at the federal level are responsible for their supervision. These are the Nigerian Export Processing Zone Authority (NEPZA) – responsible for general-purpose zones and the Oil & Gas Free Zone Authority (OGFZA) – responsible for oil & gas zones. Since the inception of the FTZ concept in Nigeria, oil and gas free trade zones have attracted over 150 companies, about $6billion worth of investments, and about 60 percent of total investments into the country in the last nine years. The free trade zones have also created over 30,000 direct and indirect jobs in Nigeria.

Located in the heart of the Gulf of Guinea, the Onne Oil and Gas Free Zone (*OGFZ*) has become a major hub of activity and a strategic centre for oil servicing companies and equipment suppliers for the petroleum industry in Nigeria. The Onne OGFZ is adjudged to be one of the most successful FTZs in Africa. It supports the region's energy industry and is located close to major projects such as the Nigerian Liquefied Natural Gas plant at Bonny Island. The Onne OGFZ offers an easy way to do business for companies involved in the West African oil and gas industry. With an array of incentives, the Onne OGFZ offer strategic benefits to companies within the petroleum industry. The general incen-

Approved Free Trade Zones in Nigeria

S/N	Name	Location	Sponsor/ Developer	Land Size (Hectares)	Da te of Designation	Specialty	Status
1	Calabar Free Trade Zone (CFTZ)	Cross River	Fed. Govt.	220	1992	Manufacturing, Oil & Gas, Logistic Services	Operational
2	Kano Free Trade Zone (KFTZ)	Kano	Fed. Govt.	463	1998	Manufacturing, Logistic Services, Warehousing	Operational
3	Tinapa Free Zone & Resort	Cross River	State Govt./Private	265	10/7/2004	Manufacturing, Trade, Tourism & Resort	Operational
4	Snake Island Int. Free Zone	Lagos	Nigerdock Plc	59.416	4/4/2005	Steel Fabrication, Oil & Gas, Sea Port	Operational
5	Maigatari Border Free Zone	Jigawa	State Govt.	214	2000	Manufacturing, Warehousing	Operational
6	Ladol Logistics Free Zone	Lagos	GRML		6/21/2006	Oil & Gas, Fabrication, Oil & Gas Vessels, Logistics	Operational
7	Airline Services EPZ	Lagos	Private		3/21/2003	Food Processing and Packaging	Operational
8	ALSCON EPZ	Akwa Ibom	Fed. Govt./Private	814.619	Jun -2004	Manufacturing	Operational
9	Sebore Farms EPZ	Adamawa	Private	2000	12/21/2001	Manufacturing Oil & Gas, Petrochemical	Operational
10	Ogun Guandong FT Zone	Ogun	State Gov t./Private	10000	2/28/2008	Manufacturing	Operational
11	Lekki Free Zone	Lagos	State Govt.		12/4/2008	Manufacturing, Logistics	Operational

Source: Nigerian Export Processing Zones Authority (NEPZA)

tives offered by the Onne OGFZ include: quick and simple registration procedures, no red tapes, faster services, easy cargo customs clearing procedures, and fast track procedures at Lagos and Port Harcourt international airports for all visiting and free zone expatriate personnel.

Nigeria's free trade zones offer a wide range of generous incentives to attract investments. Some of these incentives include the following: complete tax holiday for all Federal, State and Local Government taxes, rates, customs duties and levies...

Incentives of Nigeria's Free Trade Zones

Nigeria's free trade zones offer a wide range of generous incentives to attract investments. Some of these incentives include the following: complete tax holiday for all Federal, State and Local Government taxes, rates, customs duties and levies; one-stop approvals for all permits, operating licenses and incorporation papers; duty-free, tax-free import of raw materials and components for goods destined for re-export; duty-free introduction of capital goods, consumer goods, machinery, equipment and furniture. Others are permission to sell 100% of manufactured, assembled or imported goods into the domestic Nigerian market. When selling into the domestic market, the amount of import duty on goods manufactured in the free zone is calculated only on the basis of the value of the raw materials or components used in assembly, not on the finished products; 100% foreign ownership of investments; 100% repatriation of capital, profits and dividends; waiver of all import and export licenses; waiver on all expatriate quotas for companies operating in the zones; prohibition of strikes and lockouts; and rent-free land during the first six months of construction.

In addition to the above incentives expressly provided by legislations, locating a business in any free trade zone in Nigeria has locational advantage because the country has relative proximity to the major markets of the rest of Africa, Middle East, Europe and America. An investor also has access to the Nigerian consumer market – the largest in Africa with approximately 160 million people.

Nigeria enjoys several preferential

trade arrangements such as ECOWAS, AGOA, WTO, GSTP, OPEC, and D-8. The country also has a large pull of cost effective human resources, an entrepreneurial youthful population, and a growing middle class population. The Nigerian economy is liberalised with opportunities in all the sectors. To safeguard investments in the country, the Nigerian government commits itself to an investment protection guarantee – non-expropriation of investment. The government guarantees under the Nigerian Investment Promotion Council (NIPC) decree that no enterprise shall be nationalised or expropriated by any government of the federation, unless the acquisition is in the national interest or for public purpose; and no person who owns either wholly or in part, the capital of any enterprise shall be compelled by law to surrender his interest in the capital to any other person. This guarantee is an essential safeguard to assure both local and foreign investors that their investment will not be expropriated by current and future governments.

Approved Free Trade Zones in Nigeria *(cont'd)*

S/N	Name	Location	Sponsor/ Developer	Land Size (Hectares)	Da te of Designation	Specialty	Status
12	Abuja Tech. Village Free Zone	Federal Capital Territory	FCT	702	5/18/2007	Science & Technology	Under Construction
13	Ibom Science & Tech. FZ	Akwa Ibom	State Govt.	122.137	7/14/2006	Science & Technology	Operational
14	Lagos Free Trade Zone	Lagos	Eurochem technology Singapore	218	10/4/2002	Manufacturing Oil & Gas, Petrochemical	Operational
15	Olokola Free Trade Zone	Ondo & Ogun	State Govts./Private	10500	2004	Oil & Gas Manufacturing	Operational
16	Living Spring Free Zone	Osun	State Govt.	1607.86	10/12/2006	Manufacturing, Trading and Warehouse	Under Construction
17	Brass LNG Free Zone	Bayelsa	Fed. Govt./Private	304.245	2/2/2007	Liquefied Natural Gas	Dev. yet to commence
18	Banki Border Free Zone	Borno	State Govt.	500		Manufacturing, Warehousing, Trading	The Sponsor yet to be committed
19	Oils Integrated Logistics Services Free Zone	Lagos	Private Oil Field Industry Support Service Ltd	1000	10/12/2004	Marine, Logistics, Support Services for offshore Oil Repairs	Operational License Suspended
20	Specialized Railway Industrial FTZ	Ogun	State Govt.		4/30/2007	Rail Cargo Transport	Dev. yet to commence
21	Imo Guangdong FTZ	Imo	State Govt.	1399.27	5/7/2007	Manufacturing	Dev. yet to commence
22	Kwara Free Zone	Kwara	State Govt.	355.587	7/10/2009	Trading, Warehousing	Physical Dev. Yet to commence
23	Koko Free Trade Zone	Delta	State Govt.	2327.29	12/2/2009	Manufacturing	Physical Dev. Yet to commence
24	Oluyole Free Zone	Oyo	State Govt.	1374.5	5/16/2000	Manufacturing	Physical Dev. yet to Commence
25	Ibom Industrial Free Zone	Akwa Ibom	State Govt.		20/2/2012	Manufacturing, Oil & Gas, Trading Services	Physical Dev. yet to commence

Source: Nigerian Export Processing Zones Authority (NEPZA)

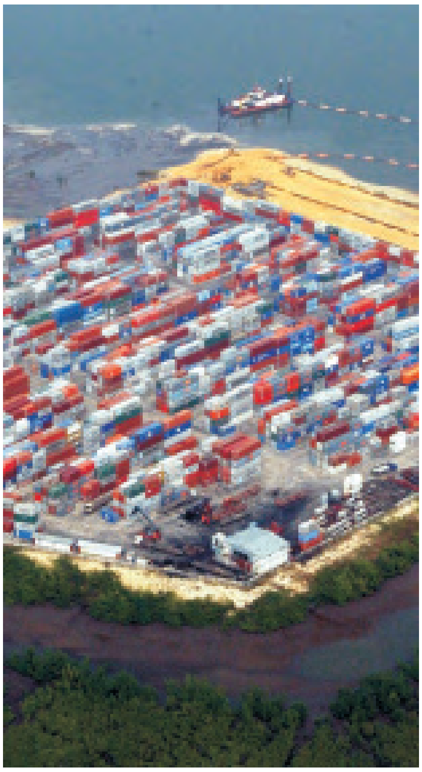
Free Trade Zones Awaiting Approval

S/N	Name	Location	Sponsor/ Developer	Land Size (Hectares)	Specialty	Status
1	Ossiomo Free Trade Zone		Ossiomo Investment Ltd	1497	Refineries, Petrochemical plant, Gas processing plant, Metal extraction Industries, Metal Fabr ication, fertilizer production, warehousing, Packaging and logistics Services.	At the Presidency
2	Nigeria Aviation Handling Company (NAHCO)	Lagos	NAHCO	10	Cargo Hub, Trans shipment and Warehousing	At the Presidency
3	Enugu Power And Industrial Developme nt Free Zone	Enugu	State Govt./Oil Data Consulting Company Ltd	403.562	Manufacture of high voltage power generation and distribution equipment and accessories, production of fertilizer from coal, and other value added industrial clusters.	At the Presidency
4	Warri Industrial Business Park	Delta	State Govt./ARCO Petrochemical Engineering Company Limited	329.1	Heavy & light Industries, Oil& Gas, shipping & logistics, R&D and Residential Real estate/ Leisure.	At the Ministry
5	Kogi Free Zone	Kogi	State Govt.	268.49	Manufacturing	At the Ministry

Source: Nigerian Export Processing Zones Authority (NEPZA)

Economic Arguments for Free Trade Zones

The relevance of FTZs continues to grow as globalization defines economic progress. There are some compelling economic arguments in support of establishing free trade zones. These arguments are derived from the main benefits that accrue to countries hosting FTZs. Job creation is one of the major goals and perhaps one of the most important economic arguments in support of free trade zones. FTZs provide employment opportunities for a large pool of labour, especially low-skill labour. Although low skill labour poses some challenges to technology spillovers, wages, value added, and knowledge spillover, FTZs nonetheless ameliorate chronic unemployment conditions especially in low-income countries. Another argument for free trade zones is that they are essential to economy wide reforms – from a domestic market to export market orientation. Countries desirous of reforming their economies establish FTZs as an integral part of a wider structural reform. Free trade zones are safety valves that provide foreign exchange earnings by promoting non-traditional exports. The foreign exchange earned loosen the foreign exchange constrains and free up resources for other needs, especially for low income economies.



FTZs can be used as laboratories to experiment with market economy and outward oriented policies. By limiting the scope of trade liberalisation, FTZs allows the government to experiment with economic policies without the risks of applying them to the larger economy. The lessons from the FTZs will make for an evidence-based decision for the whole economy over the long-term. FTZs are also sources of technological transfers, human capital development, knowledge spillover and demonstration effects that could act as catalysts for domestic entrepreneurs to engage in production of non-traditional products. The relevance of FTZs in international trade has continued to grow as globalisation drives economic progress. Free trade zones stimulate economic growth and play a critical role in business for many countries and leading manufacturers.

Celebrated Successes of Free Trade Zones

The economic miracle of the four Asian Tigers – Hong Kong, Singapore, Taiwan, and South Korea, all of which transited from poor to rich countries between 1960 and 1990, is partly attributable to the relaxation of regulations governing trade and production. For example, Taiwan and South Korea grew their economies by establishing

Free Trade Zones Awaiting Approval

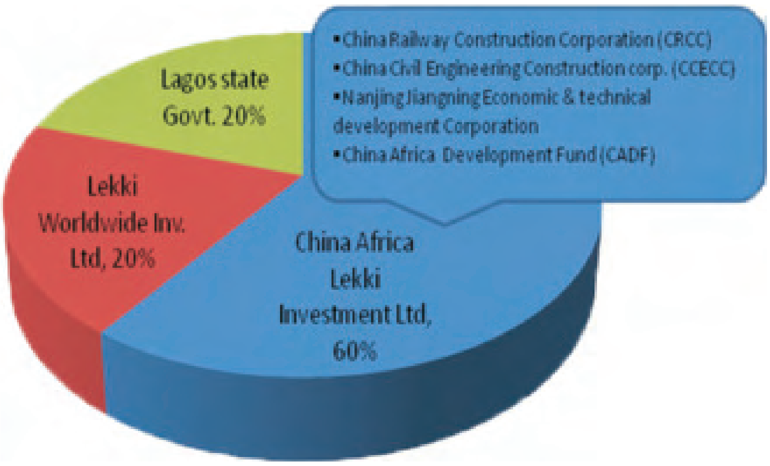
S/N	Name	Location	Sponsor/ Developer	Land Size (Hectares)	Specialty	Status
6	Baklang Free Zone		Baklang Offshore Support Services Conglomerate (BOSS)	75	Fabrication: ship, high value marine, oil & gas equipments, logistics services and manufacturing.	Appraisal On - going. Site inspection carried out
7	Madewell & Textile INC. Free Zone		Madewell Garments INC	952.534	Manufacturing activities viz-a-viz production of apparels and garments	At the Ministry
8	Eko Atlantic City Free Zone	Lagos	Eko Atlantic FZ Ltd	1000	Financial institutions (local an d international), leisure, real estate, shopping malls and corporate business, commerce	At the Ministry
9	Ogidigbe Free Zone		NEPZA	2506.03	Petrochemical, Fertilizer, Manufacturing and Gas Processing related activities	Appraisal On-going. Site inspection carried out
10	Airport Free Zones	Lagos/Port - Harcourt/Kano/Enugu	NEPZA/ Federal Ministry of Aviation	1742.24	warehouses, processing of manufactured goods, tourism and hotel services, light industries	Appraisal On-going. Site inspection carried out
11	Sah ara offshore Logistics Base Free Zone		Sahara energy Resources	20.6	Oil & Gas Processing, Fertilizer, Plastics & Chemical, Warehousing, Trans -shipment & Distribution	Appraisal On-going. Site inspection carried out

Source: Nigerian Export Processing Zones Authority (NEPZA) export processing zones offering tax holidays and removal of customs duties. Hong Kong and Singapore on the other hand achieved their feats based on free port policies and the removal of tax and trade barriers. The economic successes of other Asian countries (China and Malaysia) have been attributed in part also to their successful utilisation of free trade zones to stimulate export-oriented production and promotion of non-traditional exports.

These countries successfully leveraged on free trade zones as an excellent economic model for employment generation, technology transfer, production diversification, attraction of foreign investment and integration into the global economy. The great success story of China is hinged on the establishment of its first free trade zone in Shenzhen. Shenzhen – a fishing village was designated a Special Economic Zone (SEZ) in 1979 because of its proximity to Hong Kong. Shenzhen evolved into one of China's largest and most economically vital cities and a celebrated free trade zone.

Perhaps, the most dramatic economic miracle in recent memory is the unprecedented transformation of the Emirate of Dubai from a fishing village dependent on the Abu Dhabi emirate to a global trade hub in a very short period of time. Realising that it is not as endowed in petroleum resources as its neighbour – Abu Dhabi, the Emirate of Dubai decided to channel its profits from petroleum resources to build a diversified economy. The fastest way to achieve this goal was to establish a business-friendly atmosphere to attract global companies to the Emirate. Hence, its first free trade zone – Jabel Ali was established in 1985 around the largest man-made port in the world. The Jebel Ali FTZ has been followed by a proliferation of free trade zones in the tiny Emirate, each specially designed to woo investors in targeted industries. Today, it is estimated that nearly 60% of the world's largest companies operate in Dubai and its wide range of free trade zones is the attraction. Dubai's FTZs is host to 19,000 companies employing around 26,000 people and contributes nearly 33 percent to the Emirate's GDP. Dubai is among the most remarkable proofs of the economic wonder of the free trade zone concept and arguably the world's most successful.

Shareholding Structure of LFZDC



Source: Lekki Free Zone Development Company (LFZDC)

The Allure of Nigeria as a Regional and Continental Hub

Nigeria is arguably one of the best investment destinations in the world. Besides its enormous mineral resources

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(petroleum and thirty-four different categories of solid minerals), Nigeria is endowed *with a vast* coastline of over 900 nautical miles on the Atlantic Coast of West Africa. With over 200 miles of exclusive economic zone, nine coastal states, and coastline comprising inshore waters, coastal lagoons, estuaries and mangrove, Nigeria is strategically positioned to be one of the major trading hubs in the world, servicing four major land-locked African Countries – Mali, Burkina-Faso, Niger and Chad. With its six major port complexes (Lagos, Tincan Island, Rivers, Delta, Calabar and Onne) and ten crude oil terminals, the country could be the transshipment hub for the whole of West and Central Africa. Nigeria also has a developed aviation industry – sixteen airports (six are designated as international airports) spread throughout the country. Some of the airports have recently been upgraded with modern facilities to serve the aviation needs of the country. The government is also working on the Aerotropolis concept to bring together clusters of travel related businesses like tourism, hospitality, shopping, fashion within an airport environment.

Some Concerns about Free Trade Zones

The compelling economic arguments and benefits of free trade zones notwithstanding, there are some concerns about free trade zones and the possibility of them being used unscrupulously for unintended purposes. A major worry is that FTZs could create opportunities for money laundering and the financing of terrorism. This worry stems from the fact that laxity in trade regulation, controls and enforcement in free trade zones make them susceptible to abuse. For instance, a comprehensive report by the Financial Action Task Force (FATF) on Money Laundering vulnerabilities of Free Trade Zones, surmised that FTZs are vulnerable to abuse because of systemic weaknesses. These weaknesses include: inadequate anti-money laundering (AML) and combating the financing of terrorism (CFT) safeguards; relaxed oversight by competent domestic authorities; weak procedures to inspect goods and register legal entities, including inadequate record-keeping and information technology systems; and lack of adequate coordination and cooperation between FTZs and Customs authorities.

The misuse of free trade zones in one jurisdiction has far reaching negative impacts in other climes because FTZs can be used to deviously create legal entities and access the international financial system, providing opportunities to launder illicit proceeds. A good number of free trade zones are located in regional financial centres linking international trade hubs with access to global financial centres. This poses serious systemic risk to the global financial system. Another major challenge of FTZs is the setting and adherence to uniform standards especially in manufacturing. This stems from the variance in the oversight and management of FTZs worldwide. Business activities in free trade zones are not as transparent as those operating outside

Industries Permissible in Nigeria's Free Trade Zones

- Oil and gas Logistics
- Electrical and Electronic Products
- Textile Products
- Garments
- Wood Products and Handicraft
- Leather Products
- Petroleum Products
- Rubber and Plastic Products
- Cosmetics and other Chemical Products
- Metal Products and Machinery
- Educational materials and Sports Equipment
- Printing Materials, Communication and Office Equipment
- Medical Kits, Optical Instruments and Appliances
- Biscuits, Confectioneries and other Food Processing
- Pharmaceutical Products
- Ship building and Repairs

Proposals for industries outside the above listings are considered on their individual merit.

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the zones. This opaqueness poses a challenge for the supervision and scrutiny of financial/commercial transactions taking place in the zones. Notwithstanding the challenges posed by free trade zones, the argument is overwhelmingly tilted in favour of their economic benefits thereby making a compelling appeal for their existence. However, the need for close monitoring of the goings-on in FTZs cannot be overemphasised. Regulators should push for transparency and strict adherence to best practices to mitigate unwholesome activities in FTZs.

Nigeria's Untapped Goldmine?

Free trade zone is one of Nigeria's untapped goldmines and this is beginning to attract the attention of discerning investors. For instance, aspiring to have a strong foothold in Africa's most populous market, Chinese investors are investing $5billion in the first phase of the Lekki Free Zone – one of the continent's largest free trade zones. The investors are seeking to develop a local manufacturing base in Nigeria. The Lekki Free Zone, a 16,000 hectare site on the eastern fringe of Nigeria's commercial capital, is being developed by Lekki Free Zone Development Company (LFZDC) – a consortium of Chinese investors and the Lagos State Government. The consortium is currently developing the first phase covering 3,000 hectare and will provide basic infrastructure including roads, power plants and water plants before manufacturing firms are invited to set up businesses in the zone. Upon completion, companies operating in the zone will produce furniture, electronics, pharmaceuticals and heavy machinery. Chinese companies will use the facility to manufacture goods for export throughout Africa

To achieve economic diversification and attract substantial inflow of global investments, free trade zones should be a critical component of Nigeria's trade policy mix. A major challenge of the Nigerian economy is its near absolute reliance on petroleum. Although petroleum accounts for over 70 percent of Nigeria's revenue, it accounts for just about 4 percent of total employment. Also, in terms of global trade, fuels account for about 8 percent whereas manufactured goods constitute the bulk of world merchandise trade – 77 percent. Food and agriculture account for about 9 percent while ores and minerals represent 3 percent of the country's global merchandise trade. This accounts for Nigeria's obvious trade imbalance, and reversing this has been onerous over the years. Free trade zones offer the best panacea for Nigeria's import dependence and transformation of the economic structure of the country from simple, mineral exploration, low-value activities to more productive, export-oriented activities and self-sufficiency in manufactured consumer goods.

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

The Global Economic Outlook
Like the proverbial "Curate's Egg" Good in parts...

* By **Neil Hitchens**

As we noted in the previous article, the global economy continues to move fitfully towards recovery. However, as we cautioned, there will not be universal rejoicing for many years to come as disparate economieswill perform radically differently for at least the next decade. Indeed, some of the recent disappointing news has come from some unexpected sources.

As can be seen in the tables below, results have been, as we noted, good in parts, but fairly disappointing elsewhere.

As we noted in the previous quarter, the US economy is now definitely recovering (as we had been advocating since the end of last year and were one of the first to pick up this confident trend) and the most recent +1.6% annualised figure has been gradually increasing and is continually being revised upwards, much as we had dared to predict. Indeed, as we will come to later, this is now causing market investors and observers to start to worry, somewhat unnecessarily, about what happens in 2014 and beyond.

Talk continues to flare up intermittently about the eventual start of the Fiscal Taper – the current Fed process where bonds are bought on a regular basis by the Federal Reserve to stimulate the economy by injecting capital into markets needs to end, or rather, first taper off.

Indeed, as this has been copied elsewhere, with Japan only recently coming to the table on this one, substantive Central bank bond buying has been the main weapon of choice for all Central Bankers over the past few years.

The Fed has been giving tacit signals that this fiscal exercise will come to a close at some stage. However as they keep repeating, this will only be when unemployment falls below 7%. Current US unemployment stands at 7.3%, but the pace of improvement is slowing.

Yet equity markets continue to take fright and this is something that is at odds with the reality.

Yes, the taper will end sometime reasonably soon, indeed this is one of the 'givens' that is inevitable – logically the Fed stimulus by its very nature cannot continue eternally.

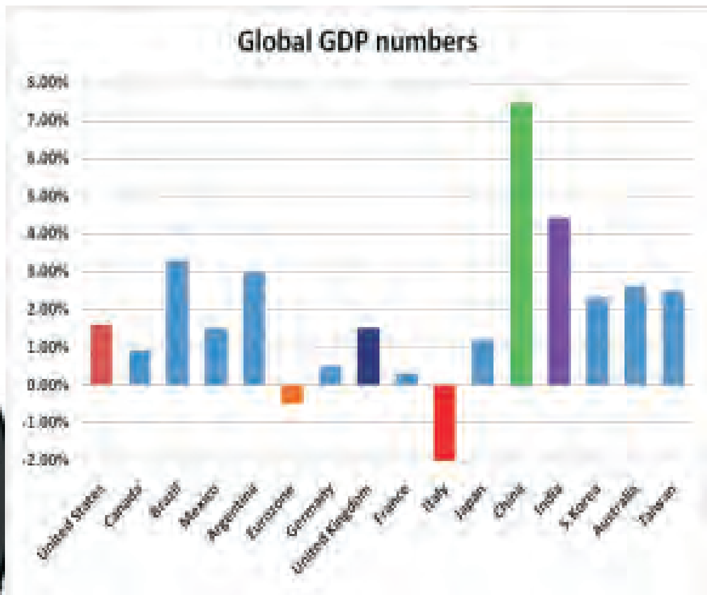
However, for the moment the purchases will continue at their current US$ 85 billion a month.

But this does not mean that the stimulus so far injected into markets will cease – the US economy still has a long way to healthy normalcy and while the 7% unemployment level trigger will be reached, most probably at the beginning of 2014, Fed bond purchases are not going to dry up overnight.

The probability is that the amount purchased will be reduced gradually, possibly to, say, US$ 70 billion initially, then in $5 – 10 billion steps over the course of 2014 and into 2015. At this stage then purchases will simply dry up and the existing capital in the financial system will continue to slosh around for at least the remainder of 2015 and well into 2016 and beyond.

It will only be in the latter part of 2016, possibly 2017, that the real test will come when the economy is by then, hopefully, ticking over at is pre-crisis 3 – 4% growth levels that the then incumbent Chairman of the Federal Reserve, whoever he or she may be then, will have to make the tricky call about a very gradual contraction of the stimulus. It is hoped by then that with another 3 or even four years growth the US economy will be in sufficient rude health as to make such a gradual and much extended reversal almost insignificant.

I truly believe that equity markets have, yet again, got far ahead of themselves in this matter – we will discuss this further into this article.



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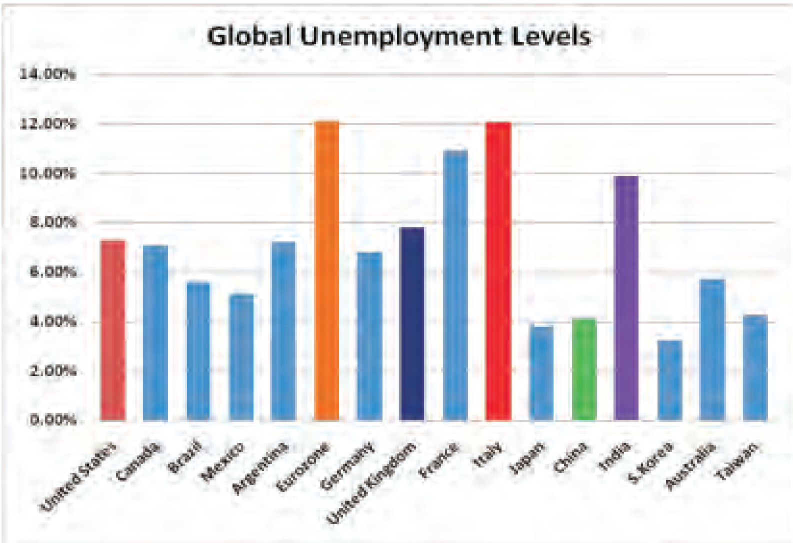

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Europe – worrying signs both on GDP and unemployment

Again, in marked contrast to the self-evident growth occurring in North America, Europe has managed to spectacularly manage to miss all of its 'guaranteed' short term targets for GDP growth and unemployment.

There are also some worrying signs starting to appear in the inflation numbers from the Eurozone.

GDP growth for the Eurozone as a whole at its most recent reading was a timid and very disappointing -0.5% - in other words, the Eurozone is still in recession. If you strip out the +0.5% from the largest component, Germany, the results would be even worse.

As we noted previously, the zombie economies of Southern Europe are, not surprisingly, still deeply mired in recession. Cyprus: -5.9%; Greece:-5.5%; Portugal: -2.1%; Italy:-2.0%; Spain:-1.6%.

However even some of the supposedly stronger economies are showing the strain – to see the Netherlands with a -2.0% reading is a shock.

But to see France at +0.3% is probably an even greater one given the near official censure given to the country recently by the IMF about the disastrous policies its government was embarking on. We remain deeply worried about the near-

term prospects for the French economy as a whole and its ability to spread tis current contagion to those countries nearest to it. The new government is determined that its current polies remain the right way – even though the rest of the world is telling it to take a step back and look at the reality of the situation. Recent reversals in employment law allowing early retirement on near full pensions will inevitably be doomed. The French economy is teetering on the brink of collapse. While it is not going to be the trigger for any crisis, just yet, it certainly will be a contributory factor...

Unsurprisingly those European economise that are not in the Euro are faring best with their recent GDP readings: Iceland: +5.4%; Turkey +3.0%; Norway: +2.6%; Switzerland: +2.5% are all telling you something about the longer term prospects for the Euro.

We are not predicting an immediate Euro crisis but the runes do not augur well especially if you widen the measurement to include unemployment, which is becoming a rather hot topic.

Eurozone unemployment stands at a staggeringly large 12.1%.

Under normal circumstances this would provoke rioting in the streets and changes of government. However the ECB is not a political entity – at least officially – and the extreme measure put in place in the near defaulting southern states is the reason for such high numbers.

As they say, compare and contrast; in Northern Europe unemployment levels remain around US ones – Luxembourg: 6.2%; Finland: 6.6%; Germany: 6.8%; Austria: 6.9%; all indicate reasonably healthy Eurozone economies.

The true shocks come with our 'old friends' the Club Med states – Greece; 27.4%; Spain: 26.3%; Cyprus: 17.3%; Portugal 16.4%.

It must be remembered these are all "official rates". Youth unemployment in Spain and Greece is close to 50%; many workers are being deliberately kept off the registers by fair means or fouls.

It is highly likely that real unemployment in Greece is well over 33%, one in three of the working population. The real figure for Spain is likely to be the same.

In either country, the general populace is at breaking point. There appears to be no possibility of the ECB bending the rules to allow either a longer repayment time or a further haircut for bond holders. Recent pronouncements by the ECB about Greece acknowledge that there will be an additional funding gap of around €11 billion, but ruled out any debt restructuring.

Such a stance will prevent Greece from being able to fully participate in financial markets when the current bailout ends in 2014. It is only a matter of time before something here 'gives' – if Greece is unable to return to full bond issuance in a year's time then there is little more that can realistically be done short of a third bailout package. Given the Germans particular qualms about such a move, it is no wonder that this subject is being swept under the carpet until after the German elections are held later this month. Frau Merkel knows what needs to be done; she just doesn't want to be put on the spot just now ahead of a probable election victory.

Quite some dilemma

UK – is it really starting to work out all right?
Somehow, though, the UK economy is managing to recover at almost double the expected pace of only a few quarters ago – as the new Governor of the Bank of England remarked soon after he officially took up his post, the UK economy is on the brink of escape velocity from the recent recession.

Certainly the Chancellor has stuck to his guns and the UK economy, predicted to endure a 'dire' triple dip recession, has confounded all the critics and not only was the alleged double dip recession of last year a statistical' bust' by not actually happening, recent figures out from the UK show that all employment sectors are enjoying a much sought after boom.

After last year's statistical GDP anomalies due to the Queens Golden Jubilee, this year has seen slow, steady and incontrovertible evidence that suddenlyit all seems to be working.

GDP initially forecast by the IMF to be barely +0.4% for the year is now predicted by them to be at least +1.7% if not higher. Recent events such as the birth of the next monarch but two, Prince George (who will probably become King George 8^{th} around 2075), as well as sporting success and an unseasonably warm Summer (which this year lasted more than its traditional 2 weeks in intensity) seems to have changed the mind-set of the British population for the better. As a result, all sectors of the economy are experiencing a sharp pick up.

Unemployment has managed to duck the worst excesses of the Continental illustration and at 7.6% is slowly gathering a growing downwards momentum which will shortly put Governor Mark Caheny in an acute dilemma.

Having recently reassured markets by saying that the Bank of England's own fiscal stimulus package would not end until unemployment had fallen below 7%, he stated this would mean continued low interest rates until at least 2016.

He now faces a difficult choice when this figure is reached either in Q3/Q4 2014 or Q1 2015.

Again this will mean troubled times for equities while they decide what to do but as with the US, the UK economy is certainly proving more than robust.

Asia – China ticking over nicely, India in a real spin.....

For some reasons, commentators seem to be missing a trick with Asia. Recent figures from China show the economy still managing to grow at 'only' +7.5%, while recent fears about the sustainability of this growth have recently been calmed. Chinese exports continue to grow from their short-term blip of a few quarters ago. Inflation is also staying well below the government target and at +2.6% leaves room for more fiscal stimulus if required. The official inflation upper level remains at an acceptable 3.5%

The Chinese economy, as we had hoped, seems to be able to maintain its sustained and healthy growth and if it remains at 7.5% growth or slightly higher this is still at the lower expected level. Recent pronouncements show a wish for the Chinese economy to end the year growing at its more normal 8%+ rate. Indeed with the low CPI rate the new government still has ample room for stimulating growth without monetary tightening.

The Chinese economy is also seeing the benefits of a stronger demand from the US and this is likely to bolster Chinese growth for the next few quarters.

India though seems to have hit a bought of extreme turbulence. Almost out of nowhere growth has slowed suddenly to around +4.4% which has been exacerbated by sudden contractions in mining and manufacturing. This number is at odds with a recent and normally not optimistic survey from the IMF showing an expected growth rates of 5.6% for 2013. To compound the Indian misery the Indian Rupee, which has been gradually declining in value, suddenly lost 12% in value in August. This is extremely problematic as despite the overall size of the Indian economy its trade balance is -4.72% of its overall GDP, one of the weakest figures for Asia.

Economists have long begged for structural reforms to the economy as a whole to bring about progress. Only last year were direct foreign investments permitted. However this is one very small step in opening the whole of the Indian economy to real economics. The inability for any foreign owned supermarket to gain a meaningful presence,

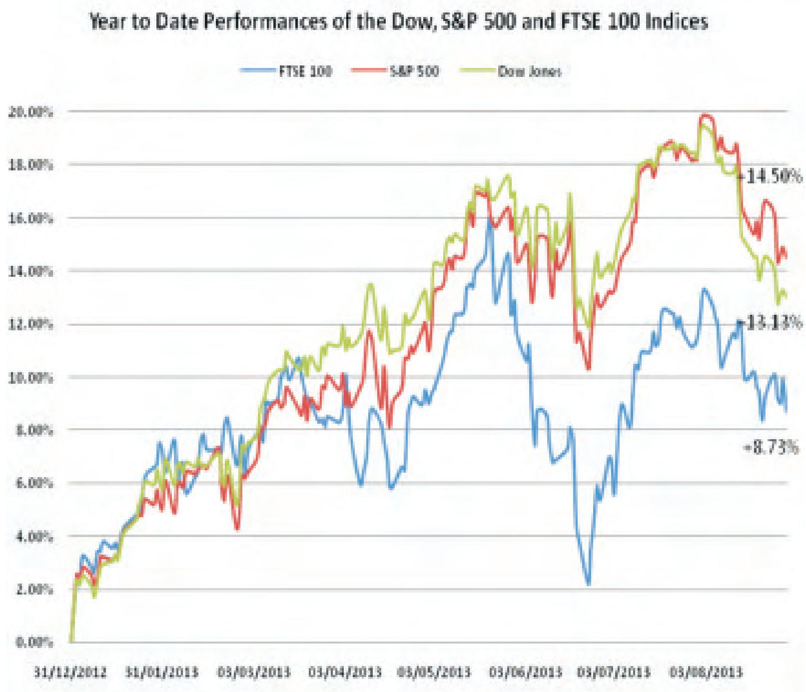
Shangai, China

http://www.worldpropertychannel.com/news-assets/shanghai-skyline-at-dusk-china.jpg for instance, is one obvious sign that the Indian economy at present remains most definitely 'Closed for Business'.

India also continues to be a problematic area to invest in – bad loans continue to weigh on Indian banks and there are growing concerns about the health of the Indian financial sector. The Reserve Bank of India recently tightened liquidity and this could be the trigger to kill off any lingering growth prospects for the Indian economy.

However again the longer-term prospects do look better for those with patience. The Indian economy is already the third largest in terms of overall purchasing power and by 2035, it is predicted to be the third largest economy in the world after China and the US.

India is also growing fast. Currently China has 1.344 billion citizens and India 1.241 billion. Demographers now expect the population of India to exceed China around 2030 when the population will reach 1.53 billion. Further out it is predicted to rise further by 2050 to 1.8 billion and the possibility of total population in 2100 of 2.181 billion. In contrast China's population is about to start shrinking. It is estimated to peak in 2030



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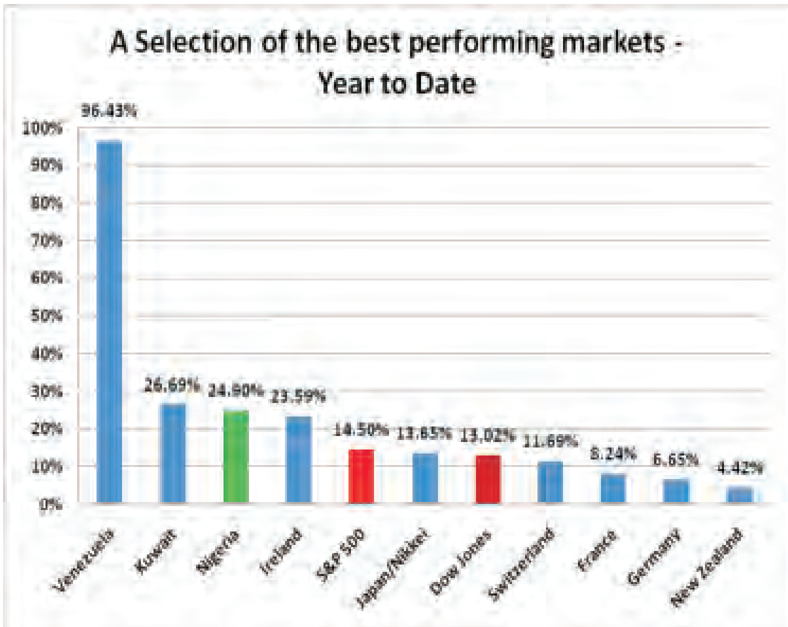

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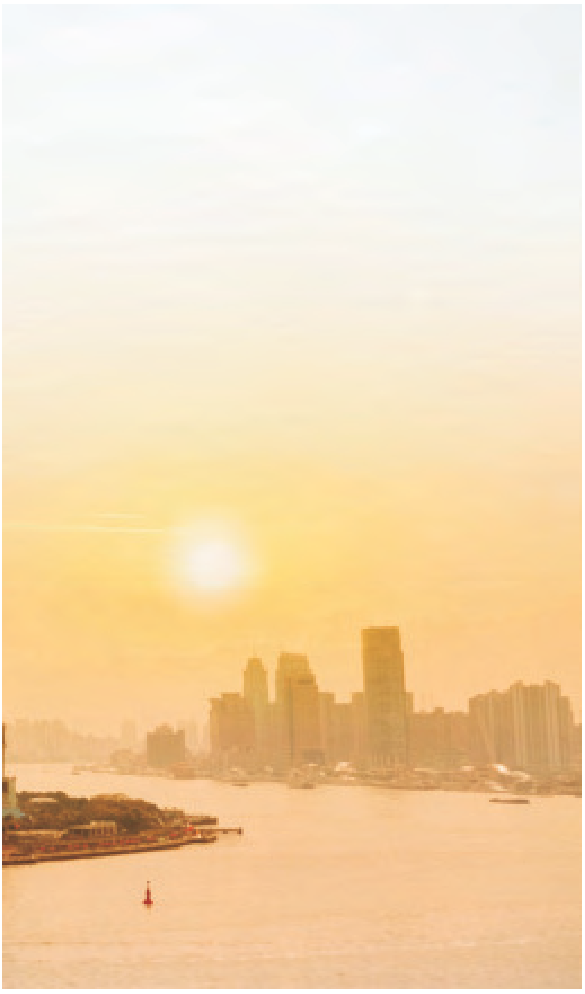


at around 1.4 billion and drop slowly and stabilise at around 1.2 – 1.3 billion.

For those with patience it could be very long term, positive opportunity!

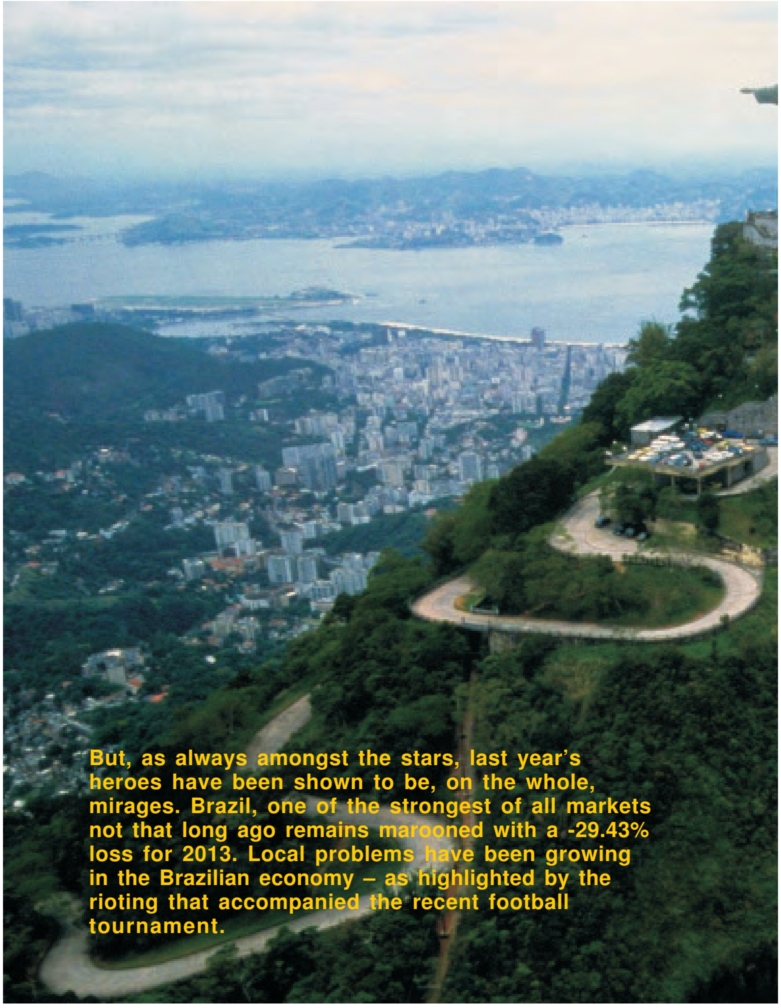
Equities continue to tease...

After the irrational wobbles of markets at the end of July on the fears of the Fed taper effect, equities in general had a good start to August but ended very mixed when concerns about the Syrian civil war's direction were highlighted and when chemical weapons began to be used.

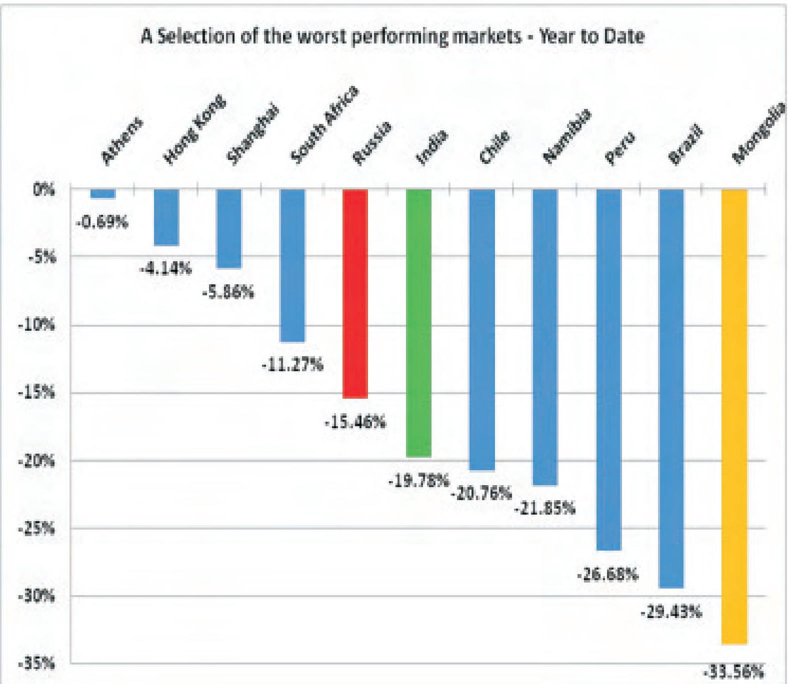
Just when you think that new records cannot be quite so quickly achieved, the S&P 500 hit a new all-time high on July 22nd of 1,695.53, +18.89% for 2013 and the Dow Jones followed suit the next day with a high of 15,567.74, +18.80% year to date. These indices eventually peaked at new all-time highs on 2nd August.

The Dow Jones hit 15,658.36 and the S&P 500, 1,709.67. At these new highs the Dow was up +19.26% and the S&P 500, +19.68% Those readers who follow my observations will know that when a major index hits +20% up for a year, I will then re-evaluate the situation at that point and, if necessary, take some profits.

So it was this year; within our portfolio models we did indeed use these highs to adjust and raise some cash, looking for a re-entry point at least 5% lower than this. This did indeed prove an apposite repositioning given the slowly worsening position in the Middle East which always has the potential to literally blow up in your faces. However, given the already high weighting in the indices for the US component, we probably feel that it is not, quite, time to raise this from a slight underweight back to neutral position.



But, as always amongst the stars, last year's heroes have been shown to be, on the whole, mirages. Brazil, one of the strongest of all markets not that long ago remains marooned with a -29.43% loss for 2013. Local problems have been growing in the Brazilian economy – as highlighted by the rioting that accompanied the recent football tournament.



Source: ***Bloomberg***

European indices in general continued to track the US markets but have not managed to quite regain the highs seen in May.

London ended August at 6,412.93, +8.73% year to date.

This close was some way short of the high reached in May of 6,840.27, then +16.07% for the year. However the London market is, seemingly, one of the better placed developed markets for 2013. Despite the mining sector being affected by the slowdown in Asia, other sectors performed well. While discretionary client will be aware of the recent raising of the UK weighting, we do remain more confident about the UK economy and the follow through that will occur in equities.

Even though the 10 year Gilt yield has risen this year from 1.99% to 2.77%, it is still well below the current average for the

source: http://www.bauerglobalstudies.org/wp-content/uploads/images/brazil-rio-de-janeiro-city-wallpaper.jpg

past decade of 3.83%, a figure itself which has been sharply reduced because of the Bank of England's stimulus programme. In fact the last 10 years yield is almost half that for the period August 1993 to August 2003 of 6.16%. We would expect the yield to gradually rise to a more 'normal' level of around 3.50% - 4.00% over the next 12 – 18 months, especially as the economy seems intent on proving everyone wrong and growing far faster than anyone had dared hoped or predicted.

As such the attractions of equities continue to grow. In the FTSE 100 this year the 3 best performingstocks are Easyjet, +61/07%, ITVplc., +56.46% and International Consolidated Airlines (previously known as British Airways), +65.31%.

More interesting is the fourth best stock this year, Lloyds Bank, +60.24% to the end of August.

From an all-time low of 19.99p in May 2009 it has continued to do what it was meant to do – reform, regroup and be reborn. It is now at 75p and is ready to spin off its TSB subsidiary. As this bank is only partially owned by the government they are close to achieving their primary aim – to ensure that their stake can be sold at a profit. As the actual purchase price of the UK Governments' 39% stake was 74.1p, we are, essentially there already.

However this is probably one to watch in the coming months with technical studies showing the possibility of regaining Fibonacci levels of 85.36p (the 23.6% resistance level) then 127.99p (38.2%), 162.46p (50%) with the possibility of an eventual target of 196.94 (61.8%). UK rules though do forbid us from giving pure stock tips to anyone other than clients.

Elsewhere markets have thrown up a few surprises, but also a few 'old friends' make an appearance.

Again Venezuela, probably the world's most illiquid and difficult to access market, has somehow managed to nearly double this year. As can be seen above, we note with considerable interest that previously semi-closed markets such as Kuwait and Nigeria are attracting more external interest as ways to invest directly there continue to appear.

While we would normally be wary of markets that had risen more than 20% in Dollar terms such as these two, there are growing reason why these performances are no aberration.

Elsewhere (when stated in US Dollars) we find the Irish markets near 24% move this year an indication that the required economic cutbacks are bearing fruit in Irish equities, even if the economic reality remains about 9 – 12 months behind the equity market move.

It is in the lesser performing markets that we find some warnings for investors

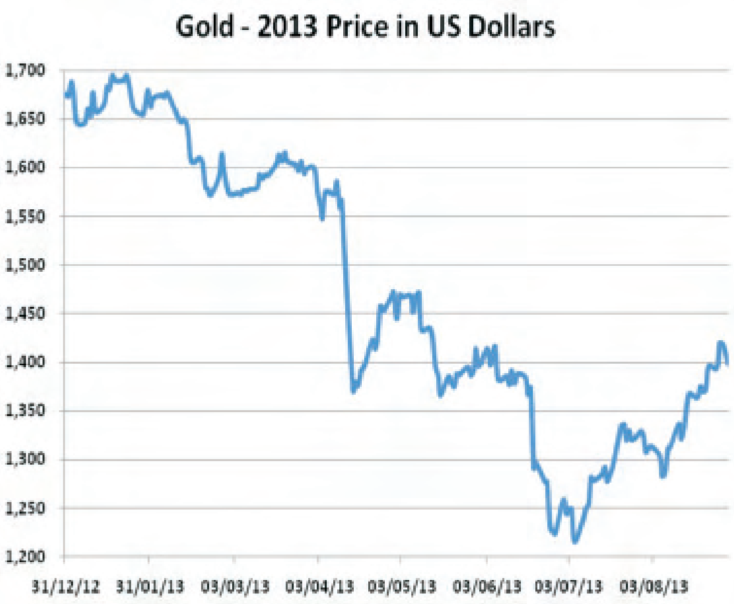
But, as always amongst the stars, last year's heroes have been shown to be, on the whole, mirages. Brazil, one of the strongest of all markets not that long ago remains marooned with a -29.43% loss for 2013. Local problems have been growing in the Brazilian economy – as highlighted by the rioting that accompanied the recent football tournament. This does not augur well for next year's FIFA World Cup – these problems are deep and are unlikely to be resolved quickly. As such the losses for the year to date are likely to remain grim. After Brazil, previous South American 'darlings', Peru, -26.68% and Chile, -20.76% were all not so long ago deemed the next 'Big Thing'.

Those of us who took one step back and rationally evaluated the prospects noted that the underlying fundamentals did not match the actual performances. Rather than go overboard the sensible thing that any investment manager should have done would be to have, at best, an index only weight – in total a few percentage points at best of any portfolio.

Again, to reiterate our thoughts from above, despite the fact that the Shanghai markets are down only -5.86% this year the country continues to be the focus of many investors' hopes.

Even though the fears about listed company fraud have dissipated recently, equities now seem to be recovering after the recent fears of a slowing economy. Slowing to around 7%. Not contracting, not flat lining, still growing.

Here I am in agreement with the former World Bank Economist Justin Lin who recently criticised economists and investors about the prospects for the Chinese economy. He has predicted that, despite the recent cooling of the economy, it will continue to grow at between 7.5% and 8% for the next 20 years.



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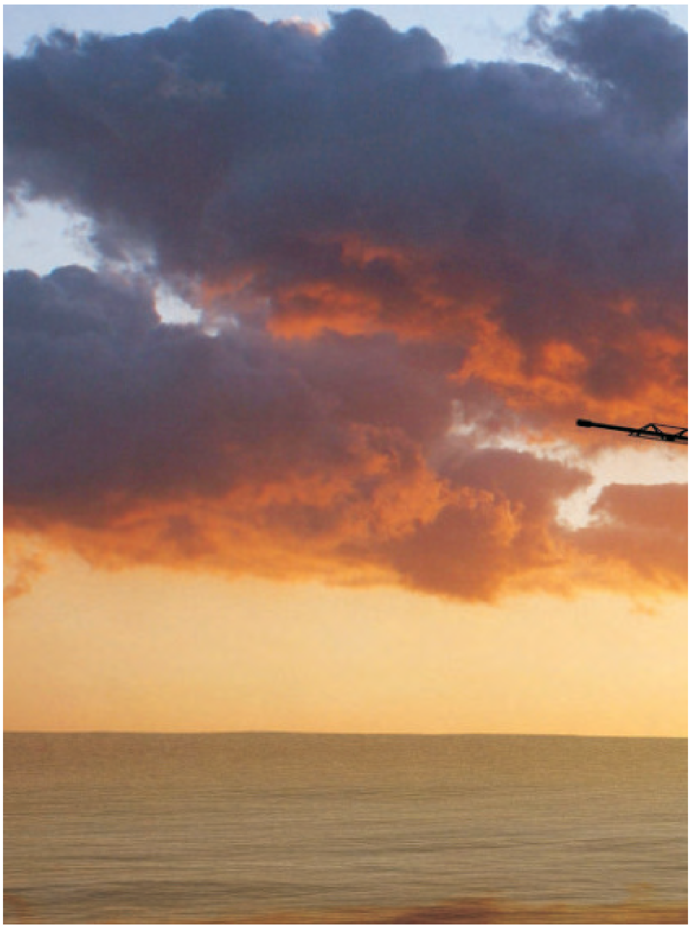


Commodities – Precious metals recovery

Gold, once written off by many at the end of June suddenly leapt back into life as the Syrian problems began to unravel and the likelihood of some form of external action being taken by the US against the current regime increased. As such the price rose from just above $1,200 to top out at $1,400. Despite the price being pressurised by the continuing quantitative easing programme in the US which has yet to ignite the much sought after inflationary trigger. However, as the US economy continues to grow the chances of an inflationary spike will increase.

But what is more likely is that the current run of political good news could well end – indeed, given the growing prospects for another Euro crisis of one sort or another, the current $1,400 level could prove to be one where if you have not rebalanced your positions, you could miss any 'bad news' rally.

Indeed, it is the rising tide of debt that could well prove to be the tipping point. Europe is a hopeless case where governments and the media are continuing to feed us with good news which bears little resemblance to the real state of the Euro Zone economy. The Mediterranean countries are expanding their debt at exponential rates. The debt to GDP ratios of Spain, Portugal, Italy and Greece range from 100% to 180%. There are futile attempt at austerity but this only leads to lower growth and higher debts. There is possibly no way out for these countries whose population is suffering terribly. The best solution would be to leave the EU and the Euro, renege on the debts and devalue currencies. But the Eurocrats are unlikely to accept this and would rather add more debt and print more money, making the situation even worse.

The US debt situation is not much better. US government debt was $1 trillion in 1980 and rose to $8 trillion in 2006 when Bernanke became Chairman of the Fed. Now it is $17 trillion and growing by at least one trillion a year. Bernanke has managed to create $9 trillion of debt during his brief 7 years as Chairman of the Fed.

It took 230 years from 1776 to 2006 for the US to reach the $8 trillion level. Bernanke has beaten that in 7 years. An astonishing achievement. This debt excludes unfunded government liabilities of around $220 trillion. It is the continual printing of cash in the US that needs to be watched very carefully.

Oil – Steadily rising on Middle East worries

As we noted in previous articles the spread between West Texas Intermediate (WTI) and the Brent benchmarks continues to narrow on both technical and fundamental factors.

However, as with gold, the Middle Eastern situation is giving oil both a floor at around $105/$110 but is also likely to keep the pressure on prices as we come into the Northern hemisphere Autumn after what has been a very hot summer in the US (leading to increased oil generated electricity production for air conditioning) or not as warm as expected in Europe where early demand for heating is already being felt in additional oil demand.

However, at present it is looking unlikely that anything concrete will happen in Syria this month. President Obama

http://de.wallpaperswiki.org/wp-content/uploads/2012/10/Oil-Rig-In-Rotterdam-Holland.jpg

saw the British Parliamentary rebuff and decided that he would be prudent and ask Congress for permission to allow military strikes against Syrian military targets. That permission is looking increasingly unlikely to happen, which will only raise the tension in the region.

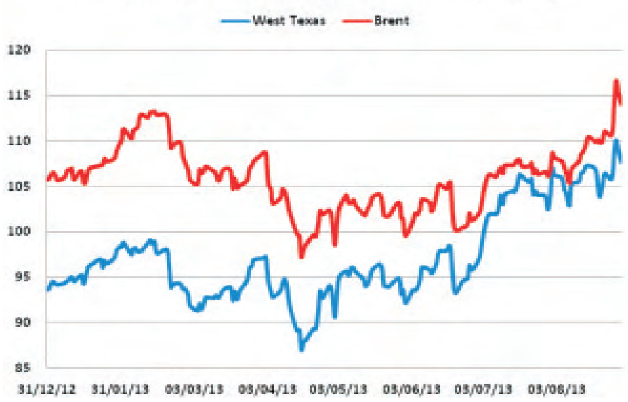
As we have noted before, it is not Syria per-se that is the problem, but Iran. Iran is looking for basically any excuse to launch attacks against Israel and any other regional US allies. However the longer term outlook for the oil price is weakening.

Increasing supply and a stronger dollar driven by an expected easing of US stimulus will push prices lower in 2014, a poll showed. The August poll forecast Brent crude oil averaging $107.20 per barrel for the rest of 2013, below the $108.02 average so far this year. The international benchmark averaged $111.70 last year. Brent will average $104.90 a barrel in 2014 and $102.70 in 2015, the monthly Reuters poll showed

Saudi Arabia is set to pump 10.5 million barrels a day of crude in the third quarter, a million barrels a day more than the Second Quarter of 2013, the highest quarterly level of production ever – essentially the world needs the oil. Libyan oil output has fallen from 1.4 million bpd to just 250,000 bpd after protesters shut oilfields. Saudi Arabia, OPEC's biggest producer, is the only oil producer with any significant spare capacity.

Also the increasing amount of production from the US shale fields is ensuring that any future shortages are being dealt with. Without US shale we'd be short about 1.5 million barrels a day in the third quarter and prices would have gone up dramatically to ration demand.

West Texas and Brent oil - prices Year to Date (US$)



Source: ***Bloomberg***

US shale oil production is now about 2.5 million bpd, up 900,000 bpd in a year.

However, if as and when there is significant military action in the Middle East, be prepared for a sharp spike in prices, followed by the inevitable return to the averages. It will be a quick but very profitable trade!

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

Trends in the Environment and Context of Leadership

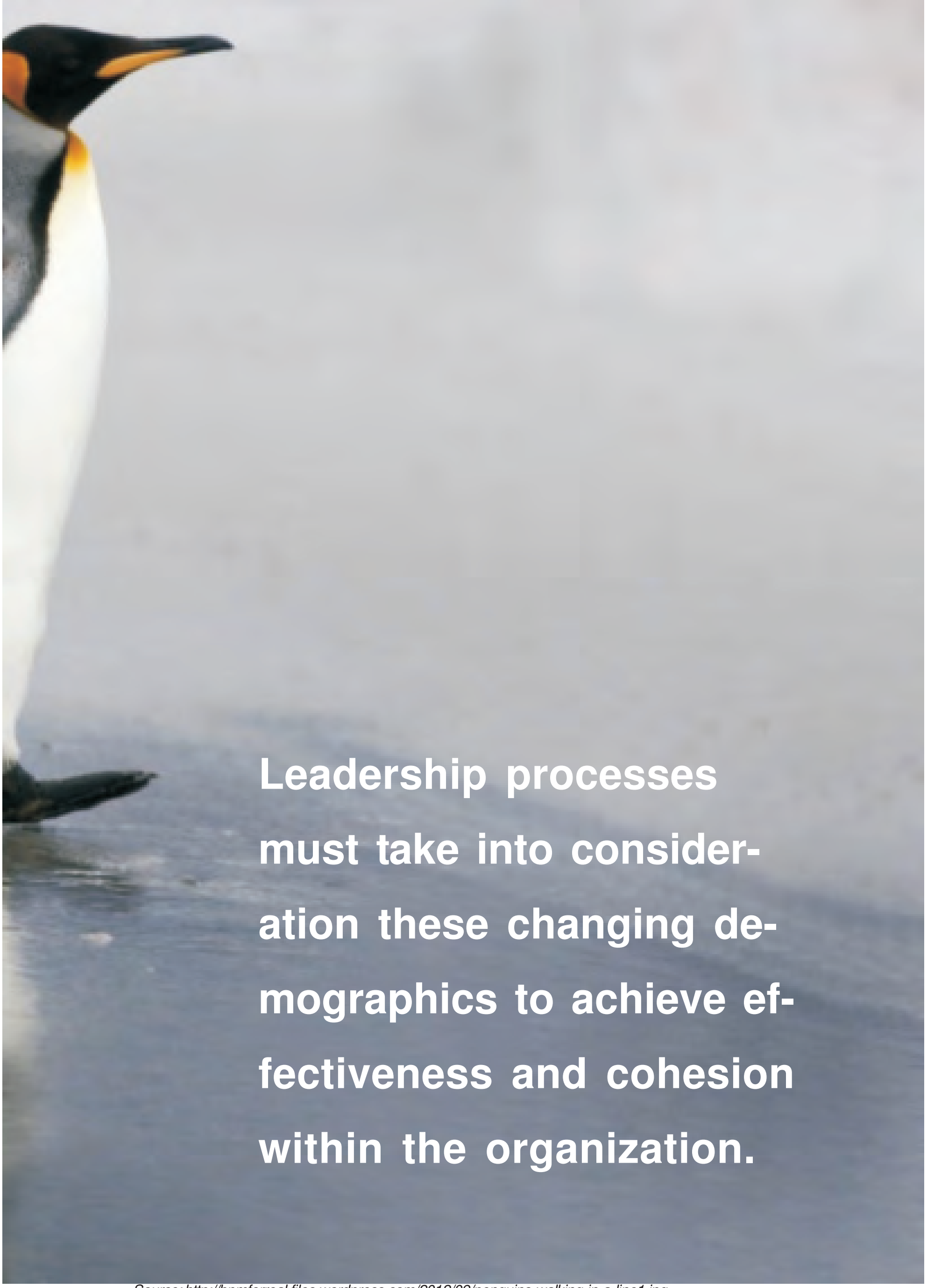
By Gabriel Okenwa

In this paper, five major forces or trends in the environment and context of leadership will be discussed. The paper will start with identification of the five major trends and followed by their importance in leadership. The paper will further focus on how these forces or trends might affect leadership. The paper will be concluded with recommendations on major leadership approaches in handling these trends. This paper will be of benefits to leaders and organizational practitioners engaged in organizational re-engineering and root cause analysis that will identify *debottlenecking* points for leadership effectiveness and performance improvements.

Leadership effectiveness is contingent upon several forces or trends, especially in the 21st century organizational environment (Hesselbein & Goldsmith, 2006). Some of these trends include changing demographics, globalization, technology, outsourcing, and strategic alignment/partnership. These trends or forces influence leadership effectiveness and organizational performance (Mintzberg, Lampel, Quinn, & Ghoshal, 2003).

Five major Forces or Trends in the Environment and the Context of Leadership

Organization theorists argued that leadership is the arrowhead of successful business endeavor (Hesselbein, Goldsmith, & Beckhard, 1997). Scholars and practitioners posit that although organizations are formed and sustained



Source: http://bpmforreal.files.wordpress.com/2012/09/penguins-walking-in-a-line1.jpg

through the frameworks of design, culture, structure, and organizational environment, leadership is the thread required to knit these frameworks together to achieve organizational objectives. Jones (2007) noted that leadership involves the motivation of organization members to a higher level of commitment and to help them improve their skills and competences. However, Mintzberg, Lampel, Quinn, and Ghoshal (2003) observed that major forces or trends, which the authors identified as changing demographics, globalization, technology, outsourcing, and strategic alignment/partnership, influence leadership effectiveness.

In contemporary business environment, changing demographics is becoming crucial to organizational success. Lieber (2008) identified changing demographics in the workplace to include variations in gender, race, religious and sexual orientations, generational differences, and nationalities. Leadership processes must take into consideration these changing demographics to achieve effectiveness and cohesion within the organization. Lieber warned that leaders who "ignore these changes are potentially crippling the organization down the road" (p. 91).

Organizational boundaries are gradually whittling down as people interact from any part of the world irrespective of geographical location, thereby supporting globalization of ideas, technology, and product development. Hickman (2010) identified globalization among the trends and challenges facing organizational leaders in 21st century business environment. The author stated that "globalization of manufacturing, marketing, and competition has created multinational organizations designed to compete in the broader economic playing field" (p. 247). Therefore, leadership processes in the context of globalized organizations must be carefully crafted to avoid negative or unpleasant outcomes.

Technological changes have redefined the way organizations conduct their businesses including policies, processes, and procedures. Olsen, Pedersen, and Hendricks (2009) argued that leadership processes are affected significantly by technological changes within the organization because both leaders and followers depend on these technologies for decision-making as well as input parameters for determining process efficiency. The authors opined that determination of core and enabling technologies enables leaders to adapt leadership processes that will yield positive outcomes for the organization. Outsourcing is constantly employed as an organizational strategy to gain competitive advantage, especially when cost-benefits analysis favors external production of the products or services concerned. Mintzberg, Lampel, Quinn, and Ghoshal (2003) observed that outsourcing affects staffing and other human resources issues, which influence leadership processes. For instance, leadership development processes could be affected if certain core activities or technologies are suddenly outsourced. Outsourcing can also put a leader in a quandary when faced with skills and competency development programs because areas mapped out for such programs could be next in line for outsourcing, leading to misapplication of organizational funds and resources.

Scholars and practitioners posit that the era of blind competition is gone as organizations are continually collaborating and partnering to remain relevant in the business. Organizations collaborate among themselves as part of strategic alignment to gain competitive advantage and avoid early organizational mortality (Brodbeck, Rigoni, & Hoppen, 2009; Fonvielle & Carr, 2001). Leadership processes are influenced by collaboration and partnership because leaders have to accommodate the collaborating entities who come with diverse ideas and ways of doing business. Leadership effectiveness and the capability of leaders to drive organizational performance to a higher level is a function of the trends or forces already discussed which underscores the importance of these trends to organizational leadership.

Importance of the five major Forces or Trends

Jones (2007) argued that organizations are tools for the coordination of activities of individuals aimed at production of goods and services to satisfy human desires. This coordination is affected by forces that exist in the society. One of these forces is the demographic configuration of individuals who constitute the organization. Researchers and practitioners have determined that the demographic configuration of the workplace in contemporary organizations has been changing (Mourino-Ruiz, 2010). For instance, the presence of four key generations in the workplace creates a challenge to the leader when making decisions on organizational policies and procedures as well as choice of both core and enabling technology for the organization.

The interdependencies among organizations, which arose because of globalization of information and resources, have changed business processes that also affected leadership processes (Hickman, 2010). For instance, some

http://blog.lib.umn.edu/nich0185/myblog/busines.jpg companies depend on others for raw materials even when such companies are in different continents. But the interactions between them are seamless because of globalization of information and technology. Collaboration among organizations leads to mutual interdependencies because of globalization and is an important trend when considering leadership processes.

Technology has been identified as the catalyst to organizational success (Tidd, Bessant, & Pavitt, 2005). Organizations rely very much on the functionalities of technology for various business processes and procedures. For instance, the oil and gas industry makes use of telemetric technology to monitor and control operational parameters. Technology is therefore important in organizational environment and affects leadership processes.

To maintain competitive advantage and cost efficiency, some organizations outsource certain aspects of their operations. Hickman (2010) noted that outsourcing, which is a growing organizational strategy, has advantages as well as disadvantages. The author argued that outsourcing is important in organizational environment because leadership processes used to determine the viability of outsourcing and implications for competency and skills development.

Strategic alignment, partnering, and joint venture operations are increasingly adopted by organizations to improve performance (Dodgson, 1991). Leaders continually deal with varying perspectives on governance, businesses processes, and policies when involved in strategic alignment with other organizations. The ability of leaders to adopt an open mind, open heart, and open will as argued by Scharmer (2009) would affect the level of success from the collaborative efforts with leaders from other organizations. The importance of these trends or forces is prevalent at every level of organizational life but the key impact is the implications for organizational leadership.

How forces affect Leadership

Leadership processes are shaped by forces or trends such as those mentioned in earlier sections of this enquiry. Researchers and practitioners agree that these trends have implications for leadership in the 21st century organizational environment (Dodgson, 1991; Hickman, 2010). Hesselbein, Goldsmith, and Beckhard (1997) noted that organizational stability is an implication of these trends on leadership. The authors opined that leaders strive to maintain stability in their organizations to achieve employee commitment and the resultant improvement in productivity. Without proper handling of these trends, leadership processes may experience organizational instability leading to negative outcomes.

Avolio and Yammarino (2008) noted that leadership process involves mutual interactions between the leader and followers even for transactional leadership style. This leader-follower dyad would be influenced by the aforementioned trends because each trend has the active involvement of both the leader and the follower. For instance, changing demographics affect both leader and follower because age, gender, race, religion, and other demographic variables can be found among leaders as well as followers. Leaders must therefore consider their relationships with followers in view of these trends to ensure organizational harmony is maintained and productivity enhanced. Okenwa (2010) insists that, "leadership function includes harmonizing the needs, goals, and aspirations of all in a common enterprise, which in the process makes both the leaders and followers better citizens" (p. 55).

Hesselbein and Goldsmith (2006) asserted that leadership effectiveness depends on the capability of leaders to "embrace complexity and the skills needed to harness them" (p. 87). Organizational complexity and the requisite skills are continually shaped by the trends or forces discussed in this paper. For instance, a combination of two or more of the trends described could make the organization more complex than originally designed or envisioned. An organization with significant changing demographics and technological revolution will present a complex situa-

"leadership function includes harmonizing the needs, goals, and aspirations of all in a common enterprise, which in the process makes both the leaders and followers better citizens"

Source: http://www.salesmanagementmastery.com/wp-content/uploads/2010/08/leadership.jpg

tion for leaders to manage. In practice, these trends do have implications for leadership effectiveness but practitioners argue that major approaches exist to address leadership challenges presented by their existence.

Recommended major approaches in Leadership Strategy

Leaders will continue to deal with trends or forces that challenge their effectiveness. However, successful leaders will devise strategies to address problems associated with these trends and turn them to opportunities. One of such strategies is to maintain diversity within the workplace. Hickman asserted that a demographically and culturally diverse workplace helps the leader to maximum the potentials of the workforce. Leaders should encourage diversity and inclusiveness and use them to achieve synergy and organizational cohesion that would result in leadership effectiveness and positive organizational outcomes.

Leaders will continue to deal with trends or forces that challenge their effectiveness. However, successful leaders will devise strategies to address problems associated with these trends and turn them to opportunities.

Another approach is the constant training and retraining of the workforce. Technological evolution and innovation require updating of skills and competences. Hesselbein, Goldsmith, and Beckhard (1997) noted that an organization is as strong as the level of skills and competences the employees received through training and retraining. Leaders and followers can surmount problems arising from these forces or trends if equipped with appropriate training and leadership skills.

Flexibility in policies, processes, and procedures is an approach leaders could use to solve problems arising from trends or forces in organizational contexts. Hesselbein and Goldsmith (2006) noted that leaders must be flexible to the dynamics of organizational environment but also put in place medium and long-term plans upon which the organization will gauge own progress and competitive advantage. Leaders must be flexible to these trends and make adjustments to enhance their effectiveness and to avoid obsolescence of ideas, processes, and systems operability.

Leaders should support and champion alliances and collaborative efforts with other organizations but should selectively outsource products and services for which the organization is known. For instance, the management of Buckeye Partners LP outsourced the organization's welding works but this added tremendous cost and scheduling issues to the organization's project profile (Baker, 2009). Mintzberg, Lampel, Quinn, and Ghoshal (2003) observed that contemporary organization collaborate to compete because economies of scale are achievable through alliances and collaboration. The authors opined that leadership effectiveness would be enhanced when organizations collaborate instead of competing blindly. Leaders will also gain new insights when they learn new leadership best practices occasioned by inter-organizational cooperation.

Conclusion

This paper contained identification and description of trends and their importance to leadership. The effect of these trends and major approaches to leadership strategy in handling them were also discussed. Information from this paper will be beneficial to organizational leaders interested in tackling the leadership challenges associated with these trends. Practitioners and change agents can leverage information from this paper to enact new theories that will engender positive organizational outcomes while improving leadership effectiveness. Organizations are formed to provide goods and services to meet societal needs (Jones, 2007). Leaders shape activities, visions, and objectives of organizations, but with significant influence from trends or forces existing within and outside the organizations. Some of these trends are changing demographics, globalization, technology, outsourcing, and strategic alignment cum partnership.

(* Gabriel Okenwa is staff of Zenith Bank Plc, Abuja.)

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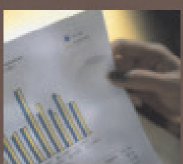


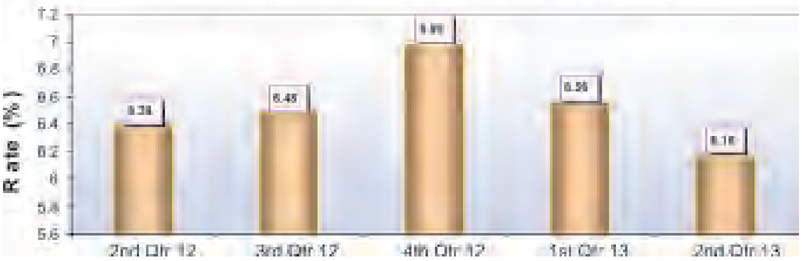
Ibrahim Abubakar

MACROECONOMIC ENVIRONMENT

The Nigerian Economy recorded a somewhat mixed performance in the second quarter 2013, with some parameters struggling to gain some sort of momentum while others remained upbeat. GDP expanded less-than-estimated during the quarter, inflation eased significantly while the Monetary Policy Rate remained steady all through. The nation's currency, the naira, held firm against other major world currencies. External reserves also remained stable during the period. In the capital market, the bulls pushed stock prices higher. Crude oil prices in the international markets sea-sawed up and down ending the quarter flat.

GROSS DOMESTIC PRODUCT

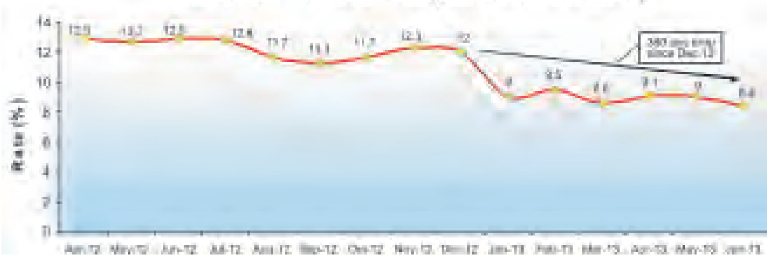
Gross Domestic Product (GDP) in the second quarter was estimated at 6.18 percent, lower than the 6.56 percent recorded in the preceding quarter. It was the slowest expansion in more than four years. Real GDP growth continued to be driven by the non-oil sector despite slightly lower than expected production figures in cereal and tuber harvests due to unusually widespread flooding in the north central region last year. However, being the period of land preparation in most regions, combined with above average dry season production, agriculture continued its dominance as major contributor of GDP. For the oil sector, the dividends of the Amnesty Deal with Niger Delta militants continued to yield the desired results, with oil output jumping 8.33 percent between April and May. However, resurgence in so-called 'bunkering' (oil theft) still remained a major challenge to production. Real GDP growth in 2013 is projected at 6.75 percent, slightly higher than the 6.61 percent recorded in 2012.



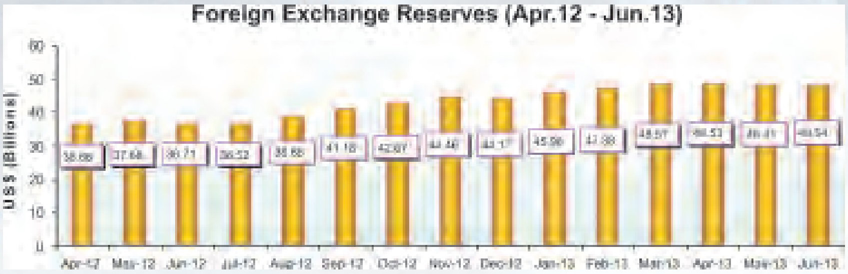
Source: National Bureau of Statistics

INFLATION

Inflation dropped to its lowest since 2008 in the second quarter 2012, increasing the scope for further monetary easing. The headline inflation ended the quarter at 8.4 percent and has remained in single digit since January 2013. Despite the slower pace, inflationary pressures picked up earlier in April due to declining inventories of food products that pushed prices up a notch. It was nevertheless temporary, as inflation eased in May and June to 9 and 8.4 percent, respectively. The slowdown was mainly driven by core inflation, which cooled sharply to 5.5 percent in June from 6.2 per cent in May and 6.9 per cent in April. However, inflationary risk remains a threat in the months ahead due to the upward review of electricity tariffs as well as the anticipated capital releases of the 2013 budget.



Source: National Bureau of Statistics

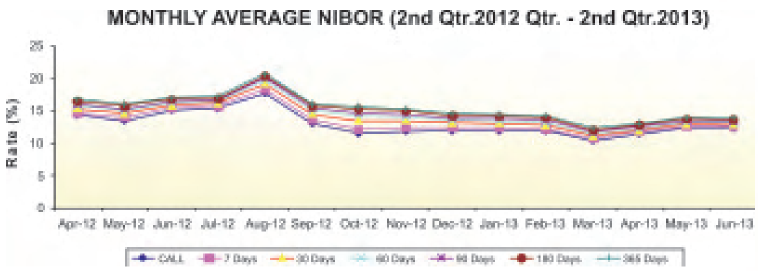


Source: Central Bank of Nigeria

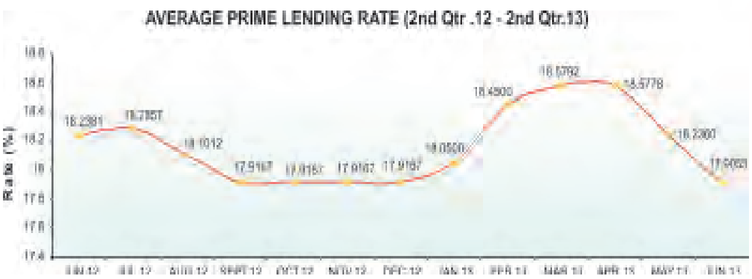
EXTERNAL RESERVES

The nation's external reserve was stable in the second quarter 2013 after climbing to its highest level in more than four years. It stayed virtually unchanged as a result of the volatility in crude oil prices. The stock of externals reserves increased marginally in April, swelling by more than $280million to $48.85billion. Mounting pressures on the external reserves however resurfaced in May and June as a result of continuous withdrawals to defend the naira, foreign investors repatriating proceeds back to their home economies as well as output leakages from lower oil production. But year-on-year, the reserves were up 30.86 percent as at end June 2013, capable of financing up to 13 months imports. In the short to medium term, the authorities project improvements in the stock of external reserves, resulting from higher crude oil prices and output.

INTEREST RATE



Source: Financial Markets Dealers Association of Nigeria (FMDA)



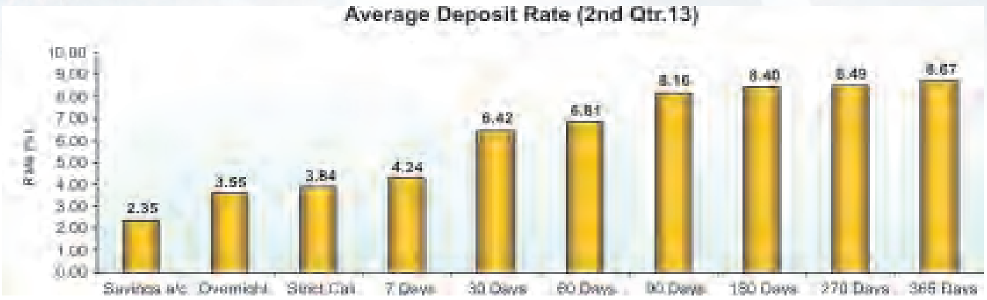
Source: Financial Markets Dealers Association of Nigeria (FMDA)

As expected, the Monetary Policy Committee (MPC) left its key interest rates unchanged at 12 percent in its May 20 and 21, 2013 meetings. It was the tenth consecutive hold since the Monetary Policy Rate (MPR) was raised by 275 basis points from 9.25 percent to 12.0 per cent in October 2011, citing inflationary pressures.

The average interbank rate inched up in the first quarter 2013 with pendulum movements across most tenors. Volatility was higher on the shorter term tenors due to mop up operations by the CBN. For instance, interbank rates shot up to about 14 percent in April from 10.25 in March. However, rates crashed in May due to an inflow of N272billion from Statutory Revenue Allocation. Despite interbank rates climbing back up in June and hitting about 16.37 percent on the call tenors, it was matched by an inflow of N230billion from treasury bills maturities and N314billion from Statutory Revenue Allocation.

Facts & Figures

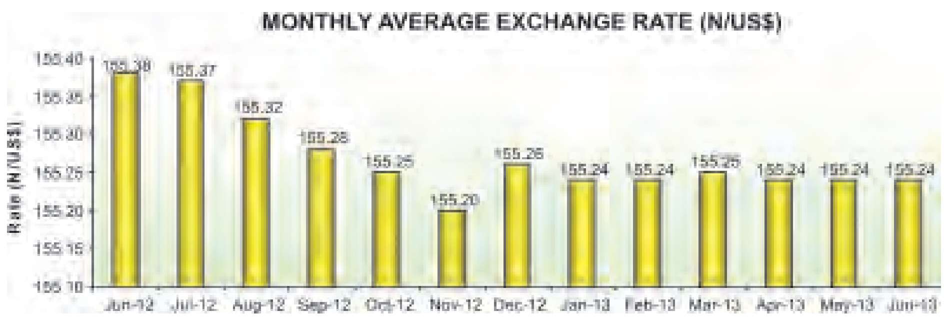
The average Prime Lending Rate (PLR) dropped slightly during the period, hovering around 17.90 percent as at end June 2013. Returns on the average deposit rate dropped slightly across most investment horizons, with volatility higher on the 30 Days and 60 Days tenors.



Source: Financial Markets Dealers Association of Nigeria (FMDA)

EXCHANGE RATE

The nation's currency, the naira, remained broadly within the official narrow range of +/- 3% around CBN's target, despite some volatility in the country's oil import market. It experienced relative stability exchanging at the rate of N155.75 per dollar. Despite the strong performance, there were nervy moments earlier in April and May, as the naira struggled to consolidate its gains in the latter half of the quarter. The nation's currency however regained strength from foreign investors buying government treasuries as well as adequate sales from oil companies. This was however short-lived as the naira weakened to its lowest level in almost a year due to speculations that the United States Federal Reserve may start reversing its stimulus measures. To fill the gaps, the CBN intervened in its twice weekly auction by offering $7.2billion and selling $6.8billion during the period. Despite the clarity of expectations however, the premium between the official and interbank widened to 4.39 per cent as at end June 2013, compared to 1.86 per cent in March. In the months ahead, the naira is projected to be on a firm platform due to higher crude oil prices in the international market.

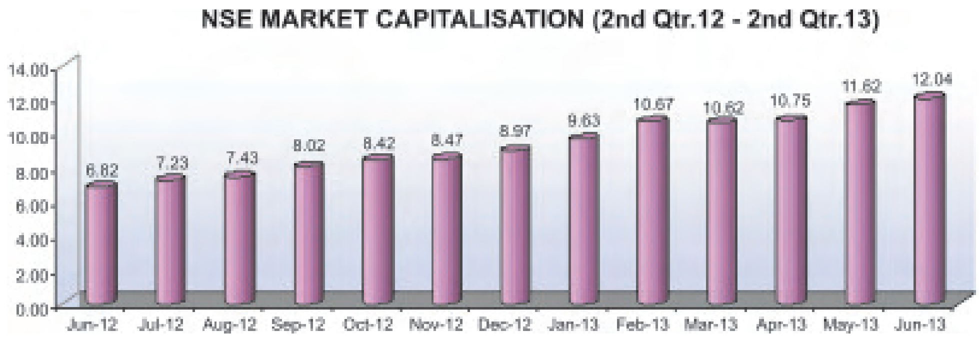


Source: Central Bank of Nigeria

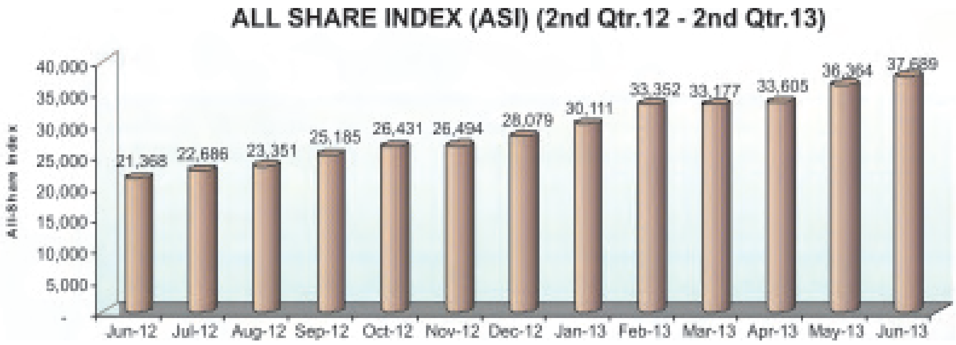
CAPITAL MARKET

The capital market closed the second quarter at another record high, breaking through the 40,000 mark as stocks continued their upward climb. It enjoyed healthy gains surpassing its previous all-time peak when it reached N12.6trillion on March 5th, 2008. The All- Share Index (ASI) and market capitalization finished strong at 36,164.30 and N11.42trillion, respectively, from 33,536.24 and N10.73trillion in the preceding quarter. Investors had reasons to cheer as the market returned about 29 percent when compared with the modest gain of about 4 percent in the comparative period of 2012. However, owing to profit taking, there was a pull back towards the end of the second quarter.

On a brighter note, many investors showed more appetite to take risk as there were three 'new' and ten 'supplementary' listings in the review quarter. Market sentiment remained high as a number of quoted companies such as UAC of Nigeria, Mobil, Unilever Nigeria, Zenith Bank, The Okomu Oil Palm Company, and Total paid impressive dividends of N1.60k, N5.00, N1.40k, N1.60, N7.00, N8.00 (N11.00 gross) and N1.00, respectively. Market fundamentals remained strong as the NSE admitted C&I leasing and Osun States Fixed Rate bonds of N940million and N30billion, respectively.



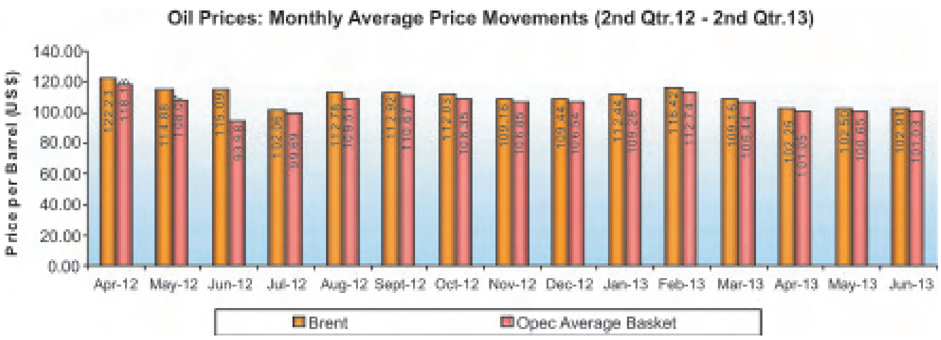
Source: Nigerian Stock Exchange



Source: Nigerian Stock Exchange

OIL & GAS

After a strong performance at the beginning of the year, crude oil prices lost some of its strength in the second quarter of 2013 on a combination of European demand woes and high record levels of US oil inventories. Oil prices gained around 9 percent after reaching below $97 per barrel in mid-April. It climbed as high as $105.4 per barrel trading broadly flat through May and June. Nigeria's brand of crude oil, bonny light, traded in a band of $98-$88 per barrel. This was the first spell below the $100 mark since July 2012. Industry analysts attribute the fallen prices of crude to demand side factors such as the maintenance season for refineries in Europe, softer economic news, including US jobs data, fresh anxiety over the European debt crisis and an economic slowdown in China. In its May 31st, 2013, 163rd meeting in Vienna, Austria, OPEC decided that member countries should adhere to the existing production ceiling of 30.0 million barrels per day.



Source: Energy Information Administration; OPEC

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