

7.0 The External Sector

The performance of the external sector further improved in 2005 with an overall balance of payments surplus of ₦1,364.8 billion, or 9.2 per cent of Gross Domestic Product (GDP), compared with ₦1,128.38 billion, or 9.7 per cent of the GDP, in the preceding year. The current account balance increased further from ₦2,064.1 billion, or 17.7 per cent of GDP, in 2004 to ₦3,367.0 billion or 22.8 per cent of GDP. This reflected the positive terms of trade occasioned by the international crude oil price rise. The average price of crude oil increased from US\$38.54 per barrel in 2004 to US\$55.41 per barrel. The capital and financial account recorded a deficit of ₦1,989.3 billion or 13.5 per cent of GDP, resulting mainly from huge external debt repayments associated with the debt relief secured from the Paris Club of Creditors. Capital inflows in the form of foreign direct and portfolio investments increased significantly as a result of the banking sector's consolidation programme and an improved investment climate. The exchange rate further stabilized as the nominal average exchange rate appreciated from ₦133.50 per US dollar in 2004 to ₦131.66 per US dollar in 2005. The stock of external reserves increased by 59.8 per cent to US\$28.28 billion. The reserves position could support 19.7 months of imports, compared with 13.6 months in 2004 and the 6.0 months requirement under the West African Monetary Zone (WAMZ) programme.

7.1 The Current Account

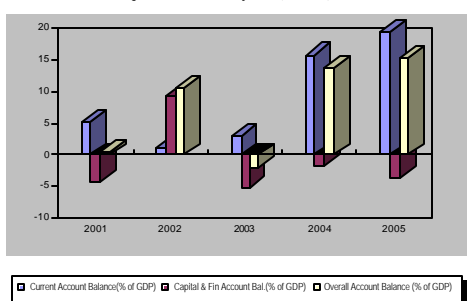
At ₦3,367.0 billion, the current account balance increased by 63.1 per cent from ₦2,064.1 billion recorded in 2004. This reflected favourable developments in the international oil market. The surplus in the goods account (adjusted for the balance of payments), increased from ₦2,625.6 billion in 2004 to ₦4,040.8 billion. The deficit in the services account increased by 18.3 per cent to ₦414.5

billion, while the surplus in the income account (net) widened from ₦570.3 billion in 2004 to ₦706.7 billion. The surplus in current transfers (net), however, increased by 24.5 per cent over its level in 2004 to ₦447.5 billion, reflecting the increased home remittances by Nigerians living abroad (Table 7.1).

7.1.1 The Goods Account

Transactions on goods (trade) account (unadjusted for balance of payments) increased by 29.2 per cent to ₦8,806.7 billion, reflecting the increase in both imports and exports above their levels in 2004. Both components of trade increased by 13.8 and 36.6 per cent, respectively, with the oil and non-oil components of total trade increasing by 28.1 and 33.0 per cent to ₦6,709.3 billion and ₦2,097.3 billion, respectively. As in previous years, the oil sector dominated total trade, accounting for 76.2 per cent, compared with 69.3 per cent in 2004, while the non-oil sector accounted for the balance. The total trade/GDP ratio also increased from 58.0 per cent in 2004 to 59.1 per cent, an indication of the openness of the economy.

Figure 7.1: Balance of Payments (% of GDP) 2005



7.1.1.1 Imports: Costs & Freight (c&f)

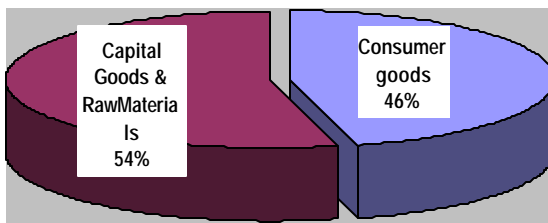
Total imports increased by 42.0 per cent over the level in 2004 to ₦2,327.0 billion. The relative share of oil and non-oil in aggregate sector imports was 16.2 and 83.8 per cent, respectively. The growth in oil sector imports was attributable largely to the sustained tempo of activities in the oil and gas sub-sectors, while the increase in non-oil sector imports was accounted for by the surge in aggregate demand in the economy (Table 7.3).

(a) Imports by End-Users

Analysis of imports by end-users showed that the share of consumer goods in total imports fell by 0.7 percentage point to 45.5 per cent. The share of durable goods remained at 3.6 per cent, while that of non-durable goods decreased by 0.6 percentage point to 42.0 per cent. In contrast, the share of capital goods and raw materials imports as a group remained dominant, and increased by 0.5

percentage point to 54.0 per cent of the total. The increase was reflected mainly in the relative share of raw materials' imports, which increased from 29.7 per cent in 2004 to 30.0 per cent. However, the share of capital goods decreased by 0.6 percentage point to 23.2 per cent (Table 7.4).

Figure 7.2: Imports by Major Groups in 2005



(b) Imports by Standard International Trade Classification (SITC)

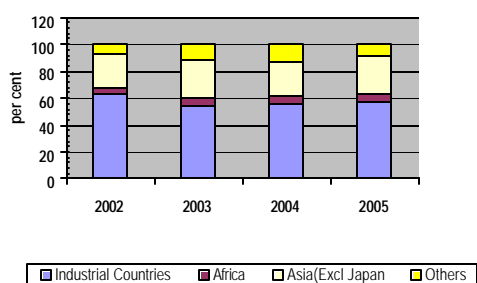
Further analysis of imports, using the SITC, revealed that the value of all import items increased over their respective levels in 2004. The increases were as follows: 30.4 per cent for beverages, 81.1 per cent for animal and vegetable oils and fats,

and 113.3 per cent for mineral fuels. Imports of manufactured goods dominated total imports and accounted for 32.0 per cent of the total, followed by chemicals (24.0 per cent), and machinery and transport equipment (22.0 per cent) (Table 7.5).

(c) Imports by Country of Origin

A disaggregation of imports by country of origin showed that imports from industrialized countries remained highest in the share of total imports, increasing by 1.7 percentage points to 57.0 per cent in 2005. Similarly, the share of imports from African and Asian countries increased by 0.3 and 2.0 percentage point to 6.6 and 27.4 per cent, respectively. Imports from the United States of America, Japan and the Peoples Republic of China topped the list, contributing 20.0, 17.0 and 12.0 per cent of total non-oil imports, respectively (Table 7.6).

Figure 7.3: Non-Oil Imports By Origin in 2005



7.1.1.2 Exports (fob)

The value of exports increased substantially over the level in 2004, reflecting major developments in the oil sector. Thus, at ₦6,310.2 billion, total exports were higher by 36.6 per cent over the level in 2004. As in previous years, the bulk of the exports proceeds was accounted for by crude oil which increased from ₦4,446.8 billion in 2004 to ₦6,157.9 billion. This was attributable to the increase in the average crude oil price from US\$38.54 to US\$55.41 per barrel. The oil sector accounted for 98.5 per cent of the total exports proceeds, while non-oil sectors exports accounted for 1.5 per cent. Oil sector exports (crude oil and gas) increased by 38.0 per cent to ₦6,217.9 billion, arising from the favourable crude oil prices and

receipts from gas exports. Provisional data for gas exports amounted to ₦60.1 billion and accounted for 1.0 per cent of total exports.

The value of non-oil exports declined by 18.8 per cent to ₦92.3 billion³. An analysis of non-oil exports by product showed that agricultural produce, semi-manufactured goods, manufactured goods and minerals accounted for 41.8, 40.5, 9.8 and 4.0 per cent of the total, respectively. Other exports comprised petroleum products, charcoal, scrap metals, crafts and urea ammonia. Cement/lime products accounted for the balance. In the semi-manufactured goods category, processed skins, cocoa products, textile yarn, and furniture/processed wood accounted for 20.5, 4.9, 7.4 and 2.1 per cent of the total non-oil exports, respectively. The share of cocoa bean, rubber and fish/shrimp in the agricultural produce group increased by 5.7, 0.4 and 1.5 percentage points, respectively, to 12.5, 6.2 and 7.3 per cent,

respectively, while the share of cotton dropped by 1.7 percentage points to 6.4. Available data for the top 100 non-oil exporters in Nigeria for 2005 showed that the export of ginger/cocoa by Olam Nigeria Limited ranked highest, followed by fish/shrimp exported by Atlantic Shrimpers Limited (Tables 7.7 and 7.8).

7.1.2 The Services Account

Transactions in the services account (net) resulted in a higher deficit of ₦414.5 billion, as against ₦350.5 billion in 2004. The deficit reflected the huge out-payments in respect of travels and freight charges for imports. The payments for transportation and travels amounted to ₦200.3 billion and ₦146.7 billion, respectively. Furthermore, net payments in respect of public sector travels and freight remained high at ₦120.7 billion and ₦154.7 billion, respectively. The persistent deficit in the services account was attributable to the low

participation of domestic entrepreneurs in the provision of international services, as reflected in the dominance of the freight business by non-resident carriers, as well as the increased volume of business and private travels by Nigerians.

7.1.3 The Income Account

The pressure on the income account (net) persisted as the deficit increased from ₦570.3 billion in 2004 to ₦706.7 billion. This development reflected the high interest payments on external loans and on repatriated profit by the oil companies. The payments outweighed the enhanced inflows from interest income on reserves and other investments abroad. The receipts from interest on external reserves and other investments increased substantially by 342.5 per cent to ₦92.5 billion, reflecting the high level of external reserves, as well as the proactive reserve management strategy adopted by the CBN.

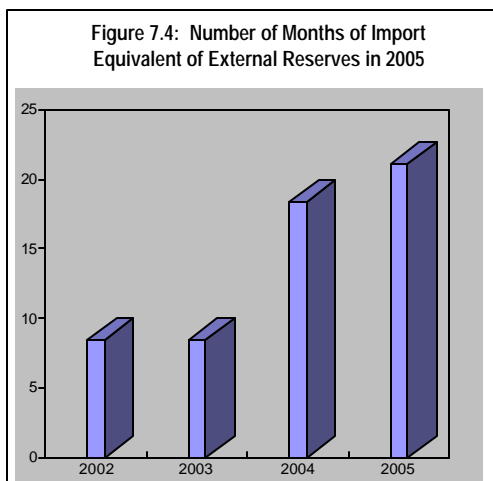
7.1.4 Current Transfers

The surplus in current transfers (net) increased by 24.5 per cent to ₦447.5 billion when compared with the level in the preceding year, representing higher personal home remittances by Nigerians and private sector transfers in kind. The inflows at ₦459.3 billion outweighed the outward transfers of ₦11.9 billion recorded in general government accounts for the expenses of foreign embassies, payments to international organizations, and the remittances of foreign residents in Nigeria

7.2 Capital and Financial Accounts

The pressure on the capital and financial accounts persisted as the deficit of ₦917.7 billion recorded in 2004 widened to ₦1,989.3 billion in 2005, reflecting the debt service payments and increased claims by non-residents. However, foreign direct investment increased by 21.7 per cent to ₦303.3 billion. The relative improvement in foreign direct investment was attributable to

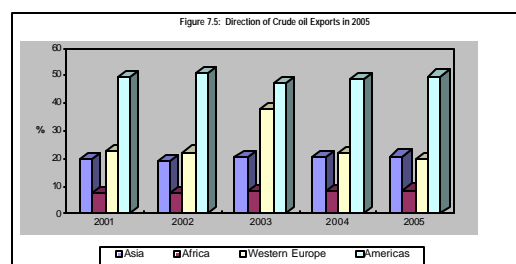
macroeconomic stability, the strong commitment of the Federal Government to the implementation of the on-going economic reforms anchored on the NEEDS, and the IMF-backed policy support instrument (PSI). The "Other investment" account recorded a deficit of ₦2,669.2 billion in 2005, as against ₦1,195.2 billion in 2004. The deficit in the long term capital (amortization due) further widened by 174.6 per cent to ₦631.8 billion. This was as a result of the efforts of the Federal Government in meeting the conditions of the Paris Club of Creditors for a debt relief of US\$18.0 billion. The "other sectors" (private) recorded a deficit of ₦2,072.3 billion, reflecting increased claims on the rest of the world by Nigeria, especially in oil sector activities.



7.3 Direction of Oil Exports

The North Americas as a group was the largest buyer of Nigeria’s crude oil, followed by the countries of Western Europe. The share of Nigeria’s crude oil exports to North America increased by 4.5 percentage points to 51.4 per cent. The export value increased from ₦2,086.7 billion in 2004 to ₦3,168.0 billion. The export volume also increased by 4.5 percentage point to 427.3 billion barrels. On a country-by-country basis, the United States of America (USA) remained the largest single importer of Nigeria’s crude oil, accounting for 46.6 per cent of total exports. The share of Nigeria’s total crude oil exports to Western Europe increased from 13.1 per cent in 2004 to

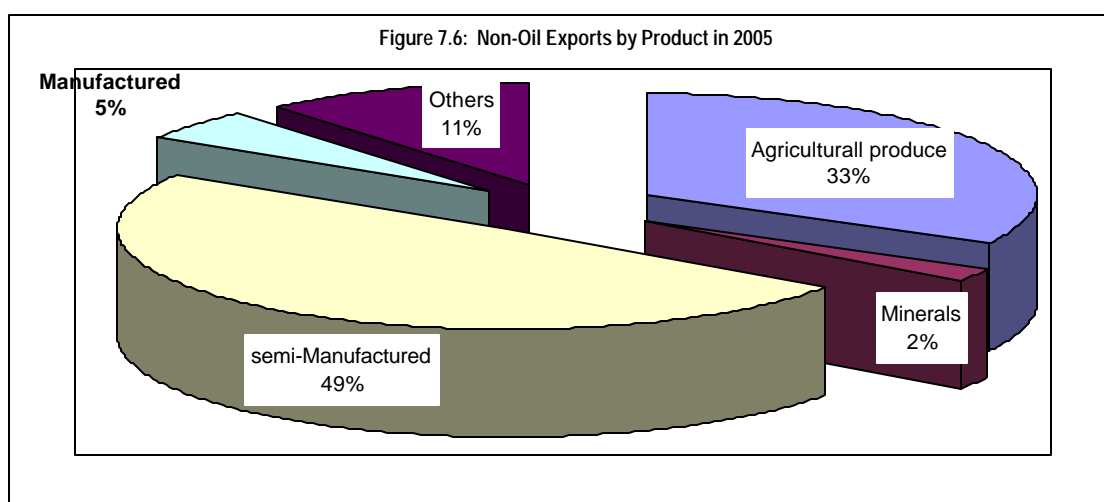
18.0 per cent in 2005. However, the value of Nigeria’s crude oil exports to Asia and the Far East rose from ₦899.7 billion in 2004 to ₦1,092.0 billion in 2005. The share of Asia as a group, declined by 2.5 percentage point to 17.7 per cent. The value of crude oil exports to African countries also increased, although the volume declined. At 6.4 per cent, it remained relatively low when compared with other regions. Within Africa, Ivory Coast remained the largest importer of Nigeria’s crude oil. This was followed by Ghana and Senegal. Crude oil exports to South Africa remained the lowest at 45.6 billion in 2005 (Table 7.7).



7.4 Direction of Non-oil Exports

Industrial countries remained the largest single importer of Nigeria's non-oil export commodities, followed by non-African countries. The share of Nigeria's non-oil exports to industrial countries stood at 62.1 per cent, while exports to non-African countries, Economic Community of West African States (ECOWAS) countries, and other African countries were 22.4, 10.2, and 5.3 per cent, respectively. Among the industrial countries, Italy accounted for 28.7 per cent and on a country-by-country basis, it remained the largest importer of Nigeria's non-oil commodities, accounting for 17.8 per

cent of the total non-oil exports, followed by The Netherlands with 16.2 per cent. The value of non-oil exports to other African countries remained relatively low when compared with other regions. On a regional basis, non-oil exports to the ECOWAS countries were valued at \$75.0 million. Of this amount, Ghana recorded the largest share of imports from Nigeria's non-oil export market at US\$35.7, followed by Niger with exports valued at \$10.69 million. Non-oil exports to ECOWAS countries dominated the region's share, arising mainly from the free-trade agreement aimed at promoting trade within the sub-region



8.0 International and Regional Institutions

The G-24 members resolved to play a more active role in the decision-making processes of the Bretton Woods Institutions. The IMF was urged to design a facility for the purpose of investing in international reserves of emerging markets and oil producing countries in a more efficient manner. The International Finance Corporation's Strategic Initiative for Africa, including the Private Enterprises Partnership Facility, came on stream. The IMF approved a two-year Policy Support Instrument (PSI) for Nigeria. The PSI is a genuine home-grown reform programme designed by countries that do not require IMF financial assistance, but need IMF technical support to implement their programmes. The implementation of the PSI facilitated the cancellation of 60 per cent, or US\$18.0 billion, of Nigeria's external debt owed to the Paris Club of Creditors. Nigeria signed an Investment Promotion and Protection Agreement with the Government of Finland. Far-reaching decisions made on WAMZ were: the commencement of the West African Monetary Union was rescheduled for December 1, 2009; the introduction of a common external tariff for member countries and, the implementation of a single economic space, through the abolition of all barriers to the free movement of persons, capital, goods and services. The AU Summit of Heads of State and Government approved the siting of the proposed African Central Bank in West Africa, the African Monetary Fund in North Africa, and the African Investment Bank in East Africa. OPEC increased Nigeria's quota from 2.265 mbd to 2.306 mbd.

8.1 The International Monetary System

The Group of Twenty four (G-24) held several meetings where members articulated their views on some global issues, preparatory to the 2005 Spring meeting of the International Monetary Fund (IMF) and the World Bank. Participants agreed on the need for developing countries to have a stronger voice in the decision-making processes of the Bretton Woods Institutions (BWIs), through increase in their quotas/shares, consistent with the current global realities. The

meeting urged the G-24 to impress on the IMF to accept Nigeria's home-grown economic programme, the National Economic Empowerment and Development Strategy (NEEDS), as an equivalent to the Poverty Reduction Strategy Paper (PRSP).

At the Spring meetings with the Board of Governors of the IMF and the World Bank, the G-24 deliberated on such issues as financial crisis prevention, support for the Millennium Development Goals (MDGs) and poverty reduction. The Ministers

welcomed the continued global economic expansion which was driven largely by strong growth in the United States and China. They also observed that, given the volatility of capital flows and the risk of contagion, the IMF needed to be more proactive by designing a precautionary facility, with ample access, to help prevent capital account crisis. They urged the IMF to design a facility for the purpose of investing international reserves of emerging markets and oil-exporting countries. Furthermore, the meeting appealed to rich countries to fulfil their pledges towards the Millennium Development Goals (MDGs), and also to the World Bank and other donor agencies to increase their assistance in African countries in support of their local efforts at achieving the MDGs.

The Development Committee of the World Bank welcomed the International Finance Corporation's (IFC's) Strategic Initiative for Africa, including the recently approved Private Enterprise Partnership Facility and

urged the World Bank to further undertake analytical work with partners to develop an action plan for Africa. IFC investment in Africa in the year was about US\$140 million in 15 countries was expected to increase to about US\$800 million by 2010. The Committee endorsed the emphasis on a country-led-and-country-owned development strategy and urged that the MDGs be operationalized in the context of a poverty reduction strategy, linked to medium term budgetary frameworks.

The Economic Community of West African States (ECOWAS) had a session with the Vice-President, Africa Region of the World Bank. The meeting was the first of its kind as the ECOWAS Secretary, on behalf of the Community's Ministers and Governors, reviewed the progress made in ECOWAS integration and the challenges confronting the sub-region. The challenges were in the areas of trade liberalization, crisis prevention, monetary integration, and adoption of

the NEPAD programme. ECOWAS called for improved collaboration between the Bretton Wood Institutions and ECOWAS countries to improve growth and development in the sub region. Furthermore, the Governors of the African caucus of the IMF and the World Bank welcomed recent initiatives to help low-income countries, but stressed that Africa had the additional responsibility to overcome poverty and reduce aid dependence. The Governors argued that in addition to the Highly Indebted Poor Countries (HIPCs), other non-HIPCs also needed the debt relief to meet the MDGs. The meeting agreed that the issue of capacity development in Africa be given top priority as it was critical for growth and the achievement of the MDGs.

8.1.1 The International Monetary Fund

The Executive Board of the IMF approved a two-year Policy Support Instrument (PSI) for Nigeria, under the IMF's newly created PSI framework, to

support the country's home-grown economic reform programme. Nigeria's PSI is anchored on the NEEDS, which focuses on rapid and sustainable non-oil growth and poverty reduction. The PSI is expected to assist Nigeria achieve a well articulated and sound policy framework, implement prudent macroeconomic policies, strengthen institutions, and ensure a governance structure conducive to private sector growth. The IMF-supported PSI is intended for low-income countries that may not need IMF financial assistance, but require IMF technical assistance in monitoring the implementation of their policies. The approval of the PSI also paved the way for the cancellation of 60 per cent or US\$18.0 billion, of Nigeria's external debt owed to the Paris Club of Creditors.

IMF's outstanding global credit declined to SDR 49.9 billion, from SDR 62.2 billion in 2004, while disbursements totalled SDR 1.6 billion.

New commitments also declined sharply to SDR 1.3 billion, from SDR 14.5 billion in 2004, reflecting favourable financial conditions for emerging market sovereign borrowers.

8.1.2 The World Bank Group

The World Bank Group's global commitment in 2005 amounted to US\$22.3 billion. Of this amount, the International Bank for Reconstruction and Development's (IBRD's) commitments increased from US\$11.0 billion to US\$13.6 billion to finance 118 projects in 37 countries. The International Development Association's (IDA's) commitments fell to US\$8.7 billion in 2005, from US\$9.0 billion in 2004, to finance 160 projects in 66 countries. The Multilateral Investment Guarantee Agency (MIGA) issued 62 new guarantees, valued at US\$1.2 billion, for 33 new projects in 2005, compared with 55 guarantees valued at US\$1.1 billion for 35 new projects in the preceding year. Five

commitment letters, valued at US\$123.2 million, were still outstanding. Many of the contracts focused on MIGA's priority areas: 20 were for projects in frontier markets, 4 to support South-South investment, 12 were for projects in conflict-affected countries, and 7 to support infrastructure investment. During the year, 84 technical assistance activities in 33 countries, along with several regional and global initiatives, were conducted.

8.1.3 International Commodity Organizations

8.1.3.1 The International Coffee Organization

The 94th International Coffee Council (ICC) of the International Coffee Organization (ICO) was held from September 26 to 30, 2005 during which the coffee market situation was reviewed. The Second World Coffee Conference and the meetings of the various Committees and Board of the

International Coffee Organization (ICO) were held in Salvador, Brazil. The conference took place from September 23 to 25, 2005. Coffee price which stood at 88.48 US cents/lb in July, 2005 declined further by August 2005 to a monthly average of 85.31 US cents/lb which was the ICO composite indicator price. The decrease in prices was more pronounced for Robusta, which went down from 57.88 US cents/lb to 51.97US cent/lb in August. The estimated world coffee production for coffee year 2005/2006 was put at 108 million bags, compared with 114.93 million bags in the crop year 2004/2005.

8.1.3.2 The International Cocoa Organization

The 30th Special Council Session and 125th Executive Committee meetings of both the International Cocoa Organization (ICCO) and the Cocoa Producers' Alliance (COPAL) were

held in London, from June 6 to 10, 2005. The Sessions deliberated on issues relating to economics, statistics, finance, administrative matters, membership issues and the 2003 International Cocoa Agreement.

Global production of cocoa beans for the 2004/2005 Cocoa year was estimated to exceed 3.5 million tonnes. To realize this target, governments of member countries embarked on an effective mass spraying programme to limit losses from black-pod and cap-sides, which resulted in higher producer prices and improved yields. At the meetings, Dr. Jan Vingerhoet from the Netherlands was appointed Executive Director of the ICCO. The Council members agreed that the ICCO Headquarters be relocated from No. 22 Berners Street, London to No. 1, New Oxford Street, London.

The 7th Meeting of the Consultative Board on the World Cocoa Economy

and the 127th Executive Committee Meetings of the International Cocoa Organization (ICCO) were held in London, from December 7 to 9, 2005.

The report on market developments revealed that futures prices were relatively stable, but became erratic from May to mid-June. The major underlying factor which contributed to a sharp upward movement in prices was the perceived threat of disruptions in supplies from West Africa.

At regional levels, prices witnessed a decline. Despite this, Africa continued to be the largest cocoa producing region, accounting for 70 per cent of the world cocoa output in 2004/05. The total production of Nigeria for the 2004/05 period was estimated at 190,000 tonnes, about 9.0 per cent increase, compared to the 2003/04 session.

8.1.3.3 The Organization of Petroleum Exporting Countries (OPEC)

The Organization of Petroleum Exporting Countries (OPEC) held three ministerial conferences in February, June and September 2005.

The February meeting increased output by 500,000 barrels to 27.5 million barrels per day (mbd), effective March 1, 2005. The increase in output was aimed at bringing down the price of crude oil, which rose persistently from the beginning of the year. Also, at the June meeting, the Organization increased the production ceiling by another 500,000 barrels to 28 mbd, effective July 1, 2005. The conference also agreed to change the composition of the OPEC baskets of crude from seven to eleven.

Consequent upon the OPEC decisions, Nigeria's output, which was pegged at 2.224 mbd in the first quarter, increased to 2.265 mbd in the second quarter of 2005 and further to 2.306 mbd, effective July 1, 2005.

The September meeting resolved to ease concerns in the market about potential supply disruptions, by pledging to add to the market 2.0 million barrels per day for three months effective October 1, 2005, should the need arise. The Organization called on all stakeholders to urgently address the pressing issue of refining shortages. The meeting also acknowledged the important role of non –OPEC producers in the global oil industry and urged them to continue to cooperate with OPEC in maintaining price and market stability.

8.1.4 Bilateral Relations

Nigeria held Joint Commission Sessions with Niger, Cuba, Brazil and Congo DR, and a Joint Implementation Meeting with Algeria in 2005. At the 32nd Session of the Nigeria/Niger Joint Commission, it was reported that significant achievements had been made between the two countries in the

areas of land and air transportation, electricity, and supply of petroleum products.. The Nigeria/Brazil Joint Commission agreed to improve bilateral trade relations in areas of petrochemicals, agriculture, and especially tropical fruits, cassava and sugar production/processing, commerce and industry. Brazil agreed to explore the possibility of establishing a representative office of the Banco de Brazil in Nigeria.

At the Inaugural Session of the Nigeria/Democratic Republic of Congo (DRC) Joint Commission, both countries agreed to create a conducive environment for increased bilateral trade. Also, both sides exchanged drafts of the Maritime Agreements, as well as drafts of Investment Promotion and Protection Agreements (IPPAs) which would be considered and harmonized at a future meeting. Other issues discussed at the session included supply of electricity to Nigeria from DRC's INGA dam. The Fourth

Session of the Nigeria/Cuba Joint Commission reviewed areas of cooperation between the two countries. Nigeria noted the desire of Cuba to establish factories in Jigawa, Plateau and Lagos states for the production of veterinary drugs and bio-larvicides to control the spread of malaria parasites. Other areas of cooperation identified included investment in science and technology, agriculture, commerce and industry, as well as education. The second meeting of the Joint Implementation Committee (JIC) of the Nigeria/Algeria Bi-National Commission (BNC) met to evaluate the activities embarked upon by the two sides since the 2004 session of the BNC, with the aim of strengthening the framework for cooperation. The meeting endorsed the tripartite agreement entered into by Algeria's Telecom, Nigeria's Telecom and Niger's SONITEL for the construction, operation and maintenance of the Optic Fibre Link project at the implementation

committee meeting held in Niamey, Niger Republic in 2005. Nigeria signed an Investment Promotion and Protection Agreement with the Government of Finland.

8.1.5 Sub-regional Institutions

8.1.5.1 The Economic Community of West African States (ECOWAS)

The Heads of State and Government of ECOWAS countries held the 28th ECOWAS Summit on January 19, 2005 in Accra, Ghana. The Meeting approved a common agricultural policy, a master plan for improving electricity supply, a common regulatory policy framework for liberalizing air transport in the sub-region, as well as a project development and implementation unit for ECOWAS/NEPAD infrastructure.

The 18th Meeting of the Convergence Council of Ministers and Governors of Central Banks in ECOWAS, which held on September 1, 2005, emphasized the need to

strengthen the multilateral surveillance of the WAMZ, through effective ownership by member countries. The Council stressed the need for a comprehensive national approach to the issue of multilateral surveillance, through the preparation of national convergence programmes approved by the national authorities. The Council adopted the recommendation that the legal/institutional frameworks of the sub-region, especially the statutes of the West African Central Bank (WACB), the West African Financial Supervisory Agency (WAFSA), and the WAMZ Secretariat be re-examined and fine-tuned to meet the required standard.

On the future role of the West African Monetary Agency (WAMA), the Governors underscored the need for the Agency to be restructured in order to improve its synergy and focus. They also decided that an ad-hoc working group be set up to formulate concrete proposals for its consideration at the next meeting. On

Capital and Financial Account Liberalization within the WAMZ, the Governors urged member countries to accelerate the process. They also emphasized the need to pay greater attention to the implementation of appropriate economic and monetary policy measures in order to improve the management of the exchange rates of their domestic currencies. They appealed to member states to ensure the establishment and effective functioning of the National Coordinating Committee (NCC) in their respective countries, in accordance with the decision of the meeting of the Heads of State and Government at Dakar, Senegal on December 17, 2001.

The inauguration of the National Coordinating Committee (NCC) of ECOWAS Multilateral Surveillance Mechanism was held at the Federal Ministry of Finance, Abuja on November 16, 2005. This was a follow-up to the decision of the Heads of State and Government of ECOWAS

urging countries to establish their National Coordinating Committees to undertake multilateral surveillance of their convergence criteria. The meeting was informed that failure by ECOWAS members to achieve the convergence criteria was responsible for the postponement of the introduction of the common currency from July 1, 2005 to December 1, 2009. It was noted that institutions, such as the West African Monetary Institute (WAMI) and the West African Monetary Agency (WAMA) established to monitor the performance of the sub-region's economic indicators and convergence criteria, were performing relatively well. However, the need to establish National Committees to complement the institutions' functions of monitoring to ensure compliance and sensitize member countries on the need to achieve the convergence criteria was duly emphasized.

8.1.5.2 The West African Institute for Financial and Economic Management (WAIFEM)

During the year under review, the West African Institute for Financial and Economic Management (WAIFEM) successfully executed thirty-six (36) capacity building programmes that benefited six hundred and eighty three (683) executive/senior/middle level officials, legislators and media practitioners. The programmes exceeded the thirty (30) approved by the Board of Governors as a result of increased demand for national programmes, such as the course on Financial Calculations and Analysis Using Spreadsheet Applications organized for the Central Bank of Nigeria.

Donors' Mid-Term Review of the Institute's Capacity Building Programme (CBP) spanning the period 2001 to 2005, indicated that although 98 CBPs were planned to benefit 2,000 participants, WAIFEM

actually executed 167 programmes with 3,690 beneficiaries. A disaggregation of the participants by institutional sponsorship revealed that 24 per cent were sponsored by central banks, ministries of finance; economic planning sponsored 20 per cent; and the balance of 56 per cent went to public and private sector agencies. A country by country breakdown showed that 42.2 per cent of total participants in the period (2001 – 2005) were from Nigeria, while Ghana, Sierra Leone, The Gambia and Liberia accounted for 16.7, 16.5, 21.1 and 2.9 per cent, respectively. The remaining 5 per cent comprised officials from other West African countries, Angola, Ethiopia and Sudan. The increasing share by other institutions' participants is indicative of the increasing popularity and relevance of WAIFEM programmes in the sub-region.

Also, in 2005, the Institute articulated and submitted to donors a project document on Phase 2 of the Capacity Building Programme (CBP)

for 2006 - 2009. The donors included the African Capacity Building Foundation (ACBF), Debt Relief International (DRI), UK's Department for International Development (DFID), among others. The respective sub-programmes contained in the project document were approved. Consequently, CBP Phase 2 is expected to commence on January 1, 2006.

8.1.5.3 The West African Monetary Zone (WAMZ)

The 17th Meeting of the Convergence Council of Ministers and Governors of Central Banks of the West African Monetary Zone (WAMZ) was held on May 5 and 6, 2005, in Banjul, The Gambia. The Council considered the outcome of the studies conducted by the West African Monetary Institute (WAMI), the Research Department of the CBN, and some consultants on the fiscal sustainability and state of preparedness of the WAMZ countries

for a Monetary Union on July 1, 2005. The work programme and budget for WAMI for the second half of 2005 and the Financial Statement for the year ended December 31, 2004 were also considered. The Summit adopted the recommendations of the Council and made the following declarations:

- That the commencement date of the Monetary Union be rescheduled to December 1, 2009 to allow for attainment of the primary convergence criteria;
- That the implementation of the structural benchmarks and Action Plan be based on a work programme of critical deliverables;
- That political commitment for the implementation of currency convertibility/trading in regional currencies be sustained;
- That full capital account liberalization;
- That cross-border listing in the stock markets;

- That all barriers to free movement of persons and goods be removed ; and

- That the introduction of a common external tariff commence by July, 2005.

The WAMZ Summit committed member states to the following:

- The full implementation of the WAMZ Action Plan up to 2009;
- The sustenance and building of WAMZ programmes into national budgets;
- The establishment of a single economic space, through the abolition of all barriers to free movement of capital, persons, goods and services;
- The restructuring of the West African Monetary Institute (WAMI); and
- Measures to ensure that Ministers of Finance and Trade would participate fully at WAMZ meetings.

8.2 Regional Institutions

8.2.1 The Association of African Central Banks (AACB)

The Technical Committee Meeting of the Association of African Central Banks (AACB) and the Bureau of Governors meeting was held from April 27 to 29, 2005. The reports from the AACB sub-regional committees indicated that there was no appreciable improvement in meeting the convergence criteria as only a few sub-regions made marginal progress. Thus, members were enjoined to comply with the format of convergence reports previously agreed at the Kampala meeting.

The Bureau of Governors agreed that more work be done by member central banks at the national and sub-regional levels to achieve harmonization at the continental-level. It was also reported that the Memorandum of Understanding (MOU) for the implementation of the African

Monetary Cooperation Programme (AMCP) of the African Union (AU) had not been finalized, owing to the inability of the Chairpersons of AACB and African Union Commission (AUC) to meet and discuss it. The AU representative informed the Bureau Meeting that the recent AU Summit of Heads of State and Government held in Abuja, had approved the siting of the African Central Bank in West Africa, the African Monetary Fund in North, Africa and the African Investment Bank in East Africa.

Other decisions adopted by the Bureau of Governors included the proposed AACB budgetary and accounting principles and the establishment of a Committee of African Central Banks on a payments system. In addition, member central banks in arrears in their contributions were requested to pay up. Eleven (11) members of the Association which had not acceded to the revised statutes of the Association were urged to do so.

During the Annual Meeting of the AACB held in Accra, Ghana, the Governors decided that a continental workshop to harmonize statistical concepts, methodologies and a framework be organized for the African Monetary Cooperation Programme (AMCP). The Governors appealed to defaulting members to pay the arrears of their obligations and approved the organization of a continental workshop for website administrators in 2006. The Assembly of Governors unanimously elected Dr. Paul A. Acquah, Governor of the Bank of Ghana as the Chairperson of the AACB for the 2005-2006 period. The AACB Bureau for 2005-2006 was also constituted. The AACB's 2005 Symposium on "Risk - Based Banking Supervision and the Implications of the Basel II Accord" concluded that Africa was ill prepared for Basel II due to poor infrastructure, an inadequate legal framework, and non-existence of rating agencies and sovereign risk ratings. The 2007 implementation date for Basel II was,

therefore, considered unrealistic for Africa as there was need to first comply with the implementation of Basel I and the core principles of effective banking supervision.

8.2.2 The African Development Bank Group (AfDB)

The 2005 Annual Meeting of the African Development Bank Group (AfDB) was held in Abuja, Nigeria from May 16 to 19, 2005. The major highlights of the deliberations and decisions of the Board of Governors were the approval of the composition of the Bureau of the Board and the Joint Steering Committee for the 2005 – 2006 Annual Meetings. Others were the election/designation of Mr. Richard Dewdney (representing the United Kingdom, Germany, the Netherlands and Portugal) and Mr. Francesco Pittore (representing Italy, Belgium and France) to replace Messrs Volker Ducklau and Franck Perrault respectively who left the Bank on 30th June, 2005. Also, the Board

reaffirmed that the headquarters of the AfDB would remain in Abidjan, Cote d'Ivoire. The six-monthly assessment of AfDB's country would, however, continue, while the timeframe for the temporary relocation period would be extended by twelve (12) months, from June 3, 2005.

The Annual Report and Audited Financial Statements of the AfDB, the Nigerian Trust Fund (NTF), and the Special Relief (Emergency and Humanitarian Assistance) and other Trust Funds for the financial year ended December 31, 2004 were approved. The Board of Governors approved the creation of an Office of the Auditor-General and the establishment of an Anti-Corruption and Fraud Investigation Unit to enforce the collective responsibility of fighting corruption in the Bank. The Board also approved the recommendation that initial negotiations be entered between Nigeria and the Bank on the extension of the tenure beyond the terminal date of April 25, 2006.

Dr. D. Kaberuka of Rwanda was elected the new president of African Development Bank Group [AfDB] at a meeting held in Tunis, Tunisia from July 21 – 22, 2005.

8.2.3 New Partnership for Africa's Development

Nigeria hosted the New Partnership for Africa's Development's (NEPADs) "Fish for All Summit" in Abuja from 22 to 25 August 2005, under the Chairmanship of President Olusegun Obasanjo. The Summit called global attention to the vital role of fisheries and aquaculture in pursuit of the Millennium Development Goals. The World Fish Centre and the Food and Agriculture Organisation (FAO) made presentations to the summit which comprised a 2-day Technical Symposium, a Nigeria Fisheries Day, an Africa Fisheries Exhibition, and Heads of State Summit to endorse common African objectives for the future of fisheries and aquaculture.

The Home-Grown School Feeding and Health Programme (HGSFHP) was launched at the Science Primary School, Kuje, Federal Capital Territory, on September 26 2005. The programme is the product of collaboration between the World Food Programme, as the lead agency, NEPAD, the United Nations Children's Fund (UNICEF), the Food and Agriculture Organization (FAO), and the United Nations Millennium Hunger Task Force (MHTF). Nigeria is one of ten (10) African countries benefiting in the pilot phase of the programme; Uganda, Ghana, Mali and Kenya have already flagged-off similar programmes. The NEPAD Secretariat, in partnership with NEPAD Nigeria, organized a workshop with the theme "Communicating NEPAD at the Country-level" from December 1 to 2, 2005, in Abuja. The objective of the workshop was to examine progress made in communicating the philosophy of NEPAD to Nigerians; identify constraints and areas that

required improvement; and strengthen existing communication structures between the country and the continental body. The workshop would serve as a template for similar workshops in other African countries in year 2006. NEPAD Nigeria also launched the Technofuture Digital Dividend Initiative in Abuja on December 22, 2005. The Initiative aims to provide a computerized educational model that teaches learners, from kindergarten age to adulthood, a unique combination of computer and entrepreneurship skills.

8.2.4 The African Peer Review Mechanism (APRM)

The African Peer Review Mechanism was established in Abuja in 2003 as an African, self-monitoring initiative, to ensure that African countries adopt policies to promote democratic governance as a way of accelerating development. It involves a series of voluntary studies and reviews, with 23

countries signing up so far. The APRM support mission to Nigeria, in March 21, 2005, noted the progress being made in the anti- corruption crusade in Nigeria particularly the efficient management of public resources, and for being the first African country to sign up to the Extractive Industries Transparency Initiative. APRM's Abuja Forum of June 19, 2005, featured reports on Ghana and Rwanda, the first two nations to submit themselves to review. Based on a standard questionnaire, both countries had undertaken national analyses and extensive consultations on political, economic and corporate governance, as well as socio-economic development. They had also developed national plans of action to tackle areas that needed improvement. The support mission noted the progress made by South Africa in the implementation of the APRM principles including the appointment of a focal point, the establishment of the National

Governing Council, and articulating a road map and research plan for the APRM. On November 14, 2005, the government of the Republic of Benin signed up to the Technical Memorandum on the Peer Review Mechanism thereby making it the first Francophone country in West Africa to start its self-assessment process.

8.2.5 The United Nations Economic Commission for Africa (UNECA)

The United Nations Economic Commission for Africa (ECA) held its 38th Conference of African Ministers of Finance, Planning and Economic Development in Abuja, Nigeria, from May 14 to 15, 2005. The objective of the conference was to deliberate on the theme "Achieving the Millennium Development Goals (MDGs) in Africa". The Ministers agreed that the MDGs constituted a critical step towards achieving sustainable development in Africa. They reaffirmed their

commitment to developing strategies for providing a decent work environment and addressing employment-generation issues in national poverty-reduction strategies in Africa. On trade, infrastructure and agriculture, the Ministers called for the elimination of trade distorting domestic support policies and export subsidies that had harmful implications for African commodity exports. They called for the doubling of Official

Development Assistance (ODA) to Africa and emphasized the critical importance of international action on debt-stock and service reduction by up to 100 per cent to assist Africa in meeting the MDGs. They also noted that the funding of the studies on African Peer Review Mechanism should provide the foundation for monitoring performance by African countries.