EFInA Quarterly Review

(April to June 2016)

1 Global Economy

1.1 Growth

Following Britain's decision to leave the European Union on the 23rd of June 2016, the International Monetary Fund (IMF) has further cut its global economic growth forecast for 2016 and 2017. The global economy is thus projected to expand by 3.1 per cent in 2016 and 3.4 per cent in 2017, which represents a 0.1 percentage point reduction for both years. This is due to the creation of a wave of economic, political and institutional uncertainty amid an already-fragile business economy with low consumer confidence. Global growth, already sluggish, will suffer as a result, putting the onus on policy makers to strengthen banking systems and deliver on plans to carry out much-needed structural reforms. Also, the 'flight to safety', away from the epicentre of this British-EU divorce will push capital away from the region and toward key safe-haven markets including the United States and Japan. This will further lower market interest rates and raise relative currency values.

The IMF cut prospects for Eurozone growth next year across the board, including a reduction of 0.9 percentage points for the U.K. to 1.3 per cent and 0.4 percentage points for Germany to 1.2 per cent. The Fund also trimmed its forecast for U.S. growth this year by 0.2 percentage points to 2.2 per cent. Reasons for this include a weak energy sector due to low spending by oil firms, a strong dollar that dissuades exports as the goods become costlier in their home countries as well as turmoil overseas. The Fund warns that recent data shows weak activity in the U.S. economy which might indicate that the capacity for the U.S. to expand is lower than previously thought. Less slack in the U.S. economy could result in inflation surging, requiring the Federal Reserve Bank to quickly raise interest rates despite tepid U.S. growth. Such a scenario could harm fragile growth globally.

While the overall outlook is gloomy, the IMF cited a few bright spots in the global economy such as market resilience in the face of the surprise Brexit vote. The Fund also raised its forecasts for Brazil and Russia, projecting the two commodity exporters will pull out of deep recessions in 2017.

1.2 Employment

The International Labour Organization has indicated that the global deficit in quality jobs and deteriorating economic conditions in a number of regions around the world is threatening to undo decades of progress in poverty reduction. Over 36 per cent of the emerging and developing world live in poverty – on a daily income of less than US$3.10 purchasing power parity (PPP). The ILO calculates that about US$600 billion a year – or nearly US$10 trillion in total over 15 years – is needed to eradicate poverty globally by 2030. The problem of persistent poverty cannot be solved by income transfers alone; more and better jobs are crucial to achieving this goal.

It is estimated that almost a third of the extremely or moderately poor in developing economies have jobs. However, their employment is vulnerable in nature: they are sometimes unpaid, concentrated in low-skilled occupations and in the absence of social protection, rely almost exclusively on labour income. Among developed countries, more workers have wage and salaried employment, but that does not stop them from falling into poverty. High levels of income inequality also reduce the impact of economic growth on poverty reduction.

In order to address the structural challenges to providing quality jobs and a concomitant reduction in poverty, the ILO recommends the following:

- Tackle low-productivity traps, which lie at the heart of poverty, by i) spurring sustainable enterprises and facilitating transitions from the informal to formal enterprises and employment arrangements, ii) tackling job precariousness, and iii) investing in skills and in lagging sectors, particularly agriculture and rural non-farm economies.
- Strengthen rights at work and enable employer and worker organisations to reach the poor. Employer and worker organisations also need legal protections to enable them to represent the poor.
- Alleviate poverty through well-designed employment and social policies. In addition, given the high incidence of poverty among children, it is urgent to strengthen targeted schemes that combine education with income support.
- Reinforce governments' capacity to implement poverty-reducing policies and standards, through an effective labour administration, delivery institutions and social dialogue. To ensure that income support reaches the poor, corruption needs to be tackled.
- Boost resources and make the rich aware of their responsibility: As many of the policy tools identified require a reorientation of policy priorities and government funds, a progressive tax base and fair tax treatment of large and small enterprises are important in providing funding while improving incentives.

1.3 Financial Inclusion

In April 2016, the Committee on Payments and Market Infrastructures (CPMI) and the World Bank Group outlined seven guiding principles to help countries increase financial inclusion:

1. Commitment from public and private sector organisations
2. A robust legal and regulatory framework underpinning financial inclusion
3. Safe, efficient and widely reachable financial and ICT infrastructures
4. Transaction accounts and payment product offerings that effectively meet a broad range of transaction needs
5. Availability of a broad network of access points and interoperable access channels
6. Effective awareness and financial literacy efforts
7. Leveraging of large-volume and recurrent payment streams, including remittances, to advance financial inclusion objectives.

2 African Economies

2.1 Growth

While growth in African countries continues to slow amid a weakened global economy, reforms can stimulate growth and help countries achieve structural transformation, according to World Bank Africa Vice President Makhtar Diop. "Despite weak global growth, a difficult external environment facing Sub-Saharan Africa in the near-term, and low and volatile commodity prices, this worsening situation also presents us with a significant opportunity to transform Africa's economies," Diop said. "It has signalled an urgent need for economic diversification in Africa."

According to the latest calculations by the International Monetary Fund (IMF), Sub-Saharan Africa's gross domestic product (GDP) growth slowed to an estimated 3.3 per cent in 2015 from 5.1 per cent in 2014. This low pace of growth was last seen in 2009 following the global financial crisis. Growth in Sub-Saharan Africa is forecast to slow again in 2016, to 1.6 per cent, as commodity prices are expected to remain low, global activity is anticipated to be weak, and financial conditions are tightening. Investment growth is expected to slow in many countries as governments and investors cut or delay capital expenditures in a context of fiscal consolidation. However, the IMF forecasts that regional growth will increase to 3.3 per cent in 2017.

The fall in commodity prices has presented a significant shock for the region, as fuels, ore and metals account for more than 60 per cent of the region's exports. The impact is seen most in oil-exporting countries, such as Nigeria, the Republic of Congo, and Equatorial Guinea. Activity also weakened significantly in non-energy mineral-exporting countries, including Botswana, Sierra Leone, South Africa and Zambia.

Today, cities in Africa are crowded, disconnected, and costly for families and for companies, according to World Bank research. Cities must offer services, amenities and housing for the poor and the middle class. Successful urbanisation will also support Africa's agricultural and rural transformation by effectively absorbing the labour being released by these sectors, by providing a market for agricultural produce, and by financing further transformation and commercialisation.

2.2 Employment

The speed and pattern of private sector development will significantly influence sustained, strong and inclusive growth in Africa, according to the International Labour Organization. In order to meet Sustainable Development Goal #8 of Decent Work and Economic Growth, it is necessary to build broad and multi-stakeholder partnerships, using social dialogue between government, employers and workers as a backbone of employment policies. There are significant challenges ahead for African economies, such as strong levels of informal work and high unemployment rates among the youth, with a working population growing by 18 million every year.

2.3 Government Policies

The World Bank's latest Country Policy and Institutional Assessment (CPIA) for Sub-Saharan Africa, which assesses the quality of government policies and institutions that support growth and poverty reduction in Sub-Saharan Africa, shows some progress for a few countries but flat or deteriorating scores for the majority.

The CPIA evaluates countries on a scale of areas including economic management, structural policies, policies for social inclusion and equity, and public sector management and institutions. The results show the overall score for Sub-Saharan Africa was 3.2 out of 6, the same as last year. Out of 38 countries assessed, seven saw an improvement in the overall evaluation of their institutions that matter for development: Ghana, Zimbabwe, Central African Republic, Chad, Comoros, Guinea, and Niger. Twelve countries saw deterioration in their CPIA score, with Burundi and The Gambia seeing the sharpest declines. A weakened global economic environment was the backdrop for these developments. In addition, fragile countries continue to lag behind non-fragile countries in the continent, with Burundi and South Sudan showing particular declines in performance, based on escalation of conflict in those countries.

Nigeria achieved a CPIA score of 3.4 in 2015, steady from the last measurement in 2008 and above the average score of 3.2 for Sub-Saharan Africa. Nigeria was rated above average compared to other Sub-Saharan African countries in measures of Economic Management, Structural Policies, and Policies for Social Inclusion and Equity (except for gender equality), and below average on measures of Public Sector Management and Institutions.

2.4 Agricultural Finance

Africa's agricultural sector could grow significantly in the coming years with the right investments and policies, according to a survey of business leaders carried out by the Grow Africa partnership. Over $500 million in new private-sector investments were implemented in 2015, bringing the total to $2.3 billion invested since 2013. These investments reached around 10 million smallholder farmers and created 30,000 jobs in 2015. In addition, investor interest remains strong, with almost $500 million in investment commitments made in the first quarter of 2016. However, business leaders believe that better access to finance and risk management tools, infrastructure, and policy and regulatory improvements are needed.

2.5 Trade

The African Export-Import Bank (Afreximbank) is to implement a new strategy aimed at driving industrialisation across Africa and increasing intra-African trade by at least 50 per cent in the next five years. The Afreximbank Intra-African Trade Strategy will see the Bank work with partners to ramp up trade among African countries to $250 billion by 2021, up from its current level of about $170 billion. The strategy will involve expanding existing trading activities within Africa’s regional economic communities, integrating informal trade into formal frameworks, reducing trade barriers and minimising the foreign exchange costs of intra-African trade. Dr. Benedict Oramah, President of Afreximbank, said “the fact that about 40 per cent of intra-African trade is done in the informal sector shows that there are institutional gaps”. To support the Intra-African Trade Strategy, Afreximbank will undertake a local currency programme that will allow the development of yield curves via African currencies, which will encourage greater use of local currencies, thereby further reducing the foreign exchange cost of intra-African trade transactions.

2.6 Financial Inclusion

Tanzania

Despite strong progress made to date in promoting financial inclusion in Tanzania, Tanzanian women's access to financial services remains low. Tanzania was ranked sixth globally for providing a conducive environment for financial inclusion by the Economist Intelligence Unit’s Global Microscope 2015 report. However the 2013 FinScope study conducted by the Financial Sector

Deepening Trust found that financial exclusion rates for women in Tanzania remain higher than those for men, with 31.6% of Tanzanian women financially excluded, versus 22.7% of men.

Bank of Tanzania (BoT) Governor Benno Ndulu says bringing closer access to financial services, particularly to women has been a top priority as there are ongoing efforts geared at enabling more women to benefit from the fast growing financial sector. BoT Vice-President Samia Suluhu Hassan underscored the need to accommodate women in financial services to address their problems and lift them out of abject poverty. "Female in-built attributes like low education, low ownership to assets and lack of decision making powers in households, especially on issues related to finance, deprive their ability to access and use modern financial services," she said. Even with the widespread use of mobile money, women are more often on the receiving than sending end of mobile money transactions.

3 Nigerian Economy

3.1 GDP

In the First Quarter of 2016, Nigeria's Gross Domestic Product (GDP) contracted by 0.36 per cent (year-on-year) in real terms, which marked the first time that the economy has contracted since 2004. At the time the IMF revised its global growth projections in the aftermath of the Brexit vote, Nigeria took the largest revision as plummeting oil prices, production cuts, power outages and souring investor confidence took their toll on the nation. The Fund cut its forecast by 4.1 percentage points for 2016 and 2.4 percentage points for 2017, forecasting that the Nigerian economy will contract by 1.8 per cent this year and expand by 1.1 per cent next year.

In addition to the effect on the global economy, Brexit may impact Nigeria more directly through changes to development engagement and foreign aid, as well as reduced trade, while the UK renegotiates trade agreements.

Nigeria's Q1 2016 GDP of 0.36 per cent was lower by 2.47 percentage points from growth recorded in the preceding quarter and also lower by 4.32 percentage points than growth recorded in the corresponding quarter of 2015. Quarter on quarter, real GDP has slowed by 13.71 per cent. During the quarter, aggregate GDP stood at N22.3 trillion (in nominal terms) at basic prices. Compared to the first quarter 2015 value of N21.0 trillion, nominal GDP was 5.80 per cent higher. Nominal GDP growth was however lower relative to levels recorded in Q4 of 2015 by 14.15 percentage points.

Real growth of the oil sector slowed by 1.89 per cent (year-on-year) in Q1 of 2016. As a share of the economy, the oil sector contributed 10.29 per cent of total real GDP. The non-oil sector slowed by 0.18 per cent in real terms in Q1 of 2016, affected by declines in Manufacturing, Financial Institutions, and Real Estate.

3.2 Inflation

The National Bureau of Statistics reported that in June 2016, the Consumer Price Index (CPI), which measures inflation, rose to 16.5 per cent (year-on-year), 0.9 percentage points higher than rates recorded in May 2016 (15.6 per cent).

Energy prices and imported items continue to be persistent drivers of inflation. In June, some of the highest increases were seen in the cost of electricity, kerosene, passenger transport by road, and fuels/lubricants for personal travel equipment. Food prices continued to rise, driven in part by rising costs of imported products.

3.3 Interest Rates

In March 2016, the Central Bank of Nigeria's (CBN's) Monetary Policy Committee (MPC) voted to raise interest rates by 100 basis points from 11 per cent to 12 per cent. Interest rates in Nigeria averaged 10.10 per cent from 2007 until 2016, reaching an all-time high of 13 per cent in November of 2014 and a record low of 6 per cent in July of 2009.

The Monetary Policy Committee also voted in March to raise the Cash Reserve Ratio (CRR) by 250 basis points from 20 per cent to 22.50 per cent.

3.4 Foreign Reserves

Nigeria's foreign exchange reserves declined to $26.36 billion on June 30, 2016 from $27.86 billion on March 31, 2016.

3.5 Exchange Rate Policy

In May 2016, the CBN's Monetary Policy Committee (MPC) agreed to adopt greater flexibility in the management of foreign exchange. The new flexible exchange rate policy was released in June 2016 by the CBN Governor, Godwin Emefiele. The Director-General, Lagos Chamber of Commerce and Industry, Mr. Muda Yusuf, said this regulatory change would lead to the reduction in the arrears of remittances, which had accumulated for the past 18 months; reduce uncertainty that investors had been grappling with over the last one year; and boost investor confidence as well as attract greater foreign exchange inflows to the economy.

Inter-bank trading under the new guidelines began on June 20, 2016. Provisions in the new exchange rate policy include:

- The Exchange Rate will be purely market driven using the Thomson-Reuters Order Matching System as well as the Conversational Dealing Book. However, the CBN will participate in the market through periodic interventions to either buy or sell foreign exchange as the need arises.
- To improve the dynamics of the market, the CBN will introduce Foreign Exchange Primary Dealers (FXPDs) who will be registered by the CBN to deal directly with the Bank for large trade sizes on a two-way quotes basis.

- The CBN shall introduce non-deliverable over the-counter Naira-settled Futures, with daily rates on the CBN-approved FMDQ Trading and Reporting System. This is an entirely new product in the Nigerian Foreign Exchange Market, which is intended to help moderate volatility in the exchange rate by moving non-urgent foreign exchange demand from the Spot to the Futures market.

As of June 30, 2016, the Naira to US Dollar exchange rate was reported as N283 per $1 on the CBN website.

3.6 Debt

As of the end of 2015, total government debt stood at N10.7 trillion, of which N2.1 trillion was external debt and N8.5 trillion was domestic debt. The Debt Management Office (DMO) reported that the main risks to the existing public debt portfolio are high refinancing risk, given that more than 30 per cent of the domestic debt matures within 1 year; and high interest rate risk, arising from the high proportion of domestic debt due for refinancing within the coming year, and therefore, exposed to changes in interest rates. Direct exposure to exchange rate risk is limited due to the low share of debt denominated in foreign currencies and low interest rate at concessional terms that apply to most external debt.

In June 2016, the DMO issued Nigeria's Debt Management Strategy for 2016-2019. The new debt management strategy focuses on the utilisation of all borrowed amounts to fund the budget deficit, with amounts specifically allocated to fund key infrastructure projects in power and transportation. In addition to continuing to use existing debt instruments, the DMO plans to introduce the following new debt instruments, subject to market conditions:

- Domestic Debt Market: Retail Bonds, Inflation-Linked Bonds and Domestic Sukuk
- International Capital Market: Diaspora Bonds (the process of issuance is on-going) and International Sukuk

The main guidelines and targets of the Debt Management Strategy, 2016-2019, are:
Debt Portfolio Composition

- Targeting an optimal debt composition of 60:40 for domestic and external debt, respectively, as against the 84:16 as of the end of 2015, by progressively increasing the percentage share of external financing, taking into account the need for moderate foreign exchange risk in the short to medium-term.
- Targeting a domestic debt mix of 75:25 for long and short-term debts, respectively, (currently at 69:31 as of the end of 2015), so as to reduce the cost of debt service and roll-over risk.

Funding Sources

- Maximisation of available funding envelopes from concessional and semi-concessional external sources, taking into account what may be readily available within a given period, for the financing of key infrastructure projects.

Interest Rate and Refinancing Risks

- Keeping the share of debt maturing within 1 year, as a percentage of Total Debt Portfolio, at not more than 20 per cent, relative to 29.15 per cent as of the end of 2015.

- Targeting an Average Time-to-Maturity (ATM) for the Total Debt Portfolio at a minimum of 10 years, as against 7.15 years as of the end of 2015.

3.7 Social Intervention Programmes

In order to restore livelihoods, increase economic opportunities and sustenance for the poor, the Government of Nigeria has created a five-pronged social intervention programme. The initiatives are:

1. Job Creation and Youth Empowerment, targeting 500,000 teachers and 320,000 artisans
2. Home Grown School feeding, targeting 5.5 million children
3. Conditional Cash Transfers, targeting 1 million poor households
4. STEM Bursary Program, targeting 100,000 students
5. Government Enterprise & Empowerment Program (GEEP), targeting 2 million beneficiaries by providing soft loans without conventional collateral for low-income women/traders, artisans, enterprising youth and small holder farmers.

The Federal Government of Nigeria has budgeted approximately N500 billion for the implementation of these programs. About eight million Nigerians are expected to benefit from these social intervention programs.

3.8 Employment

The first phase of the Federal Government's intervention scheme in job creation began in June 2016 with the commencement of recruitment of 500,000 direct teaching jobs for Nigerian graduates. The teacher corps, nicknamed N-Power Teach, is one of the three direct job creation and training schemes Nigerians can start applying for. Others are N-Power Knowledge, which will train 25,000 Nigerians in the area of technology, and N-Power Build, which will train another 75,000 in the areas of building services, construction, utilities, hospitality and catering, automotive vocations, aluminium and gas services.

In Q1 2016, the working age population increased from 105.0 million in Q4 2015 to 106.0 million. The labour force population increased from 76.9 million in Q4 2015 to 78.4 million in Q1 2016, representing an increase in the labour force of 2 per cent. The number of those not willing or able, or not actively looking to work in the economically active population declined to 27.5 million in Q1 2016 from 28.06 million in Q4 2015, meaning about 0.55 million people in the working age population that had chosen not to work in Q4 2015 decided to work in Q1 2016, thereby adding to the labour force. This represents the third consecutive quarterly increase in the number of people willing to work in the economically active population.

Nigeria's unemployment rate in Q1 2016 was 12.1 per cent, up from 10.4 per cent in Q4 2015, 9.9 per cent in Q3 2015 and 8.2 per cent in Q2 2015. The total number of unemployed people in Nigeria's labour force increased by 1.4 million in Q1 2016. In addition, the number of under-employed individuals in Nigeria's labour force increased by 0.6 million, bringing the under-employment rate to 19.1 per cent in Q1 2016, up from 18.7 per cent in Q4 2015. The total number of people in full time employment (who did any form of work for at least 40 hours per week) decreased by 0.5 million in Q1 2016. In total, 24.5 million people between the ages of 15-64 in the labour force were either unemployed or underemployed in Q1 2016.

4 Financial Sector

4.1 Capital Markets

The Nigerian Stock Exchange (NSE) All-Share Index appreciated over the course of Q1 2016 by 4,291.57 points to 29,597.79 as of June 30, 2016, up from 25,306.22 as at March 31, 2016. Market Capitalisation was N10.1 trillion as of July 1, 2016.

4.2 Financial Inclusion

The Central Bank of Nigeria and the National Education Resource & Development Council (NERDC) have signed a Memorandum of Understanding to introduce financial literacy programs into the education curriculum of secondary schools in Nigeria. Financial Literacy will be taught as a subject in all Nigerian secondary schools before the end of 2016. The CBN Director, Consumer Protection Department, Hajiya Umma Dutse stated that "Children and youth are an important target group for the purpose of the financial literacy programme. We believe that financial literacy is better learned at a young age instead of in adulthood."

4.3 Banking Industry

4.3.1 Central Bank of Nigeria

Electronic Payment Channels

The Central Bank of Nigeria (CBN) has issued two revised guidelines relating to e-payment services in Nigeria: Guidelines on Transactions Switching in Nigeria; and Guidelines on Operations of Electronic Payment Channels in Nigeria. The new guidelines were revised to enable the industry achieve an effective and seamless settlement system. These guidelines supersede the previous Standards and Guidelines on Automated Teller Machine (ATM) Operations in Nigeria, Point of Sale (PoS) Card Acceptance Services and the previous Guidelines on Transaction Switching Services and the Operational Rules and Regulations for the Nigeria Central Switch (NCS) issued by CBN.

The Guidelines on Transaction Switching prohibit the abuse of dominant position by any operator through the imposition of unfair fees and conditions. The guidelines also prohibit the Nigeria Inter-Bank Settlement System (NIBSS), the Nigeria Central Switch (NCS) and any entity performing the role of the Nigeria Central Switch from competing with any e-payment service firm in the country. The guidelines prohibit NIBSS from supporting or promoting any card scheme as well as from owning, deploying, maintaining, installing or acquiring devices such as Point of Sales (PoS) devices.

The Guidelines on Operations of Electronic Payment Channels in Nigeria were approved to discourage discrimination amongst different card schemes and acquirers. The guidelines specify that every card scheme must publish for the benefit of every ATM owner or acquirer and the Central

Bank of Nigeria, the requirements for acquiring ATM transactions under the card scheme. Furthermore, in order to achieve interoperability, all PoS terminals deployed in Nigeria shall accept all transactions arising from any card issued by any Nigerian bank. Acquirers and other service providers shall be card neutral entities that have no reason to promote or favour any card brand over another.

Bank Verification Number (BVN)

As of May 2016, a total of 35.4 million customers had been enrolled in the Bank Verification Number scheme. 26.2 million customers had been enrolled in the year up to May 2016; as of May 2015, 9.2 million customers had completed BVN enrolment.

4.4 Deposit Money Banks

Central Bank of Nigeria

Following speculations that some banks in Nigeria may have gone into distress, the Central Bank of Nigeria (CBN) issued a press release stating that the Nigerian banking industry remains strong in spite of global economic challenges. The CBN cited its Examination Reports as well as analysis from market watchers, International Credit Rating Agencies, and Development Finance Institutions as evidence of the health of the banking sector. The CBN also reassured the banking and general public that their deposits remain safe in any Nigerian bank and there was no need for panic withdrawals from any bank.

Non-Performing Loans

The CBN reported that the ratio of bank non-performing loans (NPLs) to gross loans increased by 0.21 percentage points between June and December 2015, to 4.86 per cent at the end of December 2015. The same ratio had increased by 1.77 percentage points in the first half of 2015. According to the CBN’s Financial Stability Report for the second half of 2015, the quality of assets in the banking sector declined marginally in the second half of 2015 compared to June 2015. Capital adequacy also weakened during the period, attributed to the fall in the level of banks’ general reserves. A stress test of the banking industry revealed that, generally, it remained relatively resilient, although some banks were sensitive to credit concentration and interest rate risks which did not pose systemic threats to the industry.

Deposit Money Banks have reduced their loan growth projections for the 2016 financial year, following the increase in non-performing loans occasioned by economic challenges facing the country. Commercial banks have posted large impairment charges in their 2015 financial results released in March 2016.

The Chief Finance Officer, Sterling Bank Plc, Mr. Abubakar Suleiman, said the lingering foreign exchange challenges in the country had forced some foreign banks to cut credit lines to Nigerian banks. The development is expected to affect banks’ loans and advances. He added, “The major impact of forex scarcity affects both the banks and the country in exactly the same way. Our inability to meet obligations that are falling due is about credibility; it is about foreign institutions being able to trust the country or trust the banks.”

4.5 Agricultural Finance

Agricultural Credit Guarantee Scheme

In the first half of 2016, the Central Bank of Nigeria guaranteed N3.6 billion worth of loans under the Agricultural Credit Guarantee Scheme. Of those loans, N2.4 billion worth were given to men and N1.2 billion worth were given to women. It is noted that N99.5 billion worth of loans have been guaranteed since the inception of the guarantee scheme in 1978.

4.6 Micro, Small and Medium Scale Enterprises

Bank of Industry

The Bank of Industry (BoI) announced that it had disbursed N95 billion to 400 enterprises in the first half of 2016. The institution aims to disburse N212 billion that could potentially lead to the creation of almost 1 million jobs, in addition to the project disbursements and job creation targets under the new Government Enterprise and Empowerment Programme (GEEP).

Abia State

The Bank of Industry (BoI) and Abia State government have signed a Memorandum of Understanding to provide N1 billion as financial intermediation for Small and Medium Enterprises (SMEs) in the state. The fund, as well as various capacity building initiatives, will be made available to entrepreneurs in the state to further boost their value addition processes, expand their production capacities and make more jobs available for the unemployed. Acting Managing Director and Chief Executive Officer of BoI, Waheed Olagunju, explained that the N1 billion SME development fund is to be equally contributed by the bank and the state for onward lending to entrepreneurs in the state, particularly those who are engaged in value addition and processing activities.

Akwa Ibom State

The Akwa Ibom government has begun the disbursement of N1.74 billion in microcredit loans to Small and Medium Enterprises (SMEs) as part of deliberate efforts to stimulate economic growth and boost poverty reduction activities across the state. This is the second phase of the loan scheme after more than N260 million was disbursed during the first phase. Akon Okon, Commissioner for Finance of Akwa Ibom State, said that more than 4,000 small business operators drawn from the 31 local government areas of the state were expected to benefit from the scheme. Loan disbursement is being done through microfinance banks, and while the beneficiaries pay the loan principal, the state government has undertaken to pay the interest accruing from the loan on behalf of beneficiaries.

Edo State

Edo State has presented cheques to 10,000 beneficiaries of the Micro, Small and Medium Enterprise Development Fund (MSMEDF), worth N2 billion in total. State Governor, Comrade Adams

Oshiomhole, emphasised that the objective of the loans is to help entrepreneurs sustain or advance their businesses or cooperative societies through prudent investment.

Kaduna State

The Bank of Industry (BoI) has approved N48.44 million worth of credit to 15 Small and Medium Enterprises (SMEs) under the Kaduna Start-up Entrepreneurship Programme (KADSTEP). KADSTEP was initiated by the Kaduna State Government in conjunction with the Kaduna Business School (KBS) and development finance institutions in order to empower aspiring entrepreneurs. Governor of Kaduna State, Mallam Nasir el-Rufai, said the state government was targeting to empower 5,000 young entrepreneurs in the next four years under KADSTEP.

Katsina State

The Bank of Industry (BoI) and the Katsina State government have jointly set up a N2 billion enterprise development fund. BoI's acting Managing Director and Chief Executive Officer, Mr. Waheed Olagunju, said the bank's total loan exposure to industrialists in Katsina State had reached N11.4 billion. He said under the terms of the partnership, the state government would provide N1 billion, which would be matched in like sum by BOI for onward lending to Micro, Small and Medium Enterprises (MSMEs) with bankable business plans.

Lagos State

Lagos State has established an Employment Trust Fund (ETF) geared towards addressing the challenge of youth unemployment as well as promote wealth creation through entrepreneurial development in the state. Lagos State will contribute a total sum of N25 billion to the fund in four years. The major objective of the fund is to support young people, especially youth and fresh graduates, with innovative ideas that can be developed into business enterprises.

Sokoto State

To expand its financial intermediation services to small businesses in Sokoto State, the Bank of Industry (BoI) has concluded plans to set up a Micro, Small and Medium Enterprises Development Fund dedicated to the provision of financial assistance to indigenous entrepreneurs in the state. The fund is expected to total N2 billion, to be contributed to, by both BOI and the Sokoto State government in equal amounts of N1 billion each. BOI has commenced a product programme which is targeted at funding projects in 40 clusters, with focus on groundnut oil, animal feed, leather products, rice processing, food processing, quarries and meat processing clusters.

Taraba State

The Bank of Industry and the Taraba State Government have signed a Memorandum of Understanding for the establishment of the N700 million Micro, Small and Medium Enterprises Development Fund. Under the agreement, the state government will contribute the sum of N350 million, representing 50 per cent, into the fund, while the balance will be contributed by BOI.

4.7 Non-Interest Finance

Central Bank of Nigeria

In May 2016, the Central Bank of Nigeria (CBN) released draft guidelines on the regulation and supervision of non-interest (Islamic) microfinance banks (MFBs) in the country, in order to encourage the development of the microfinance subsector of the non-interest finance sector. A Non Interest (Islamic) Microfinance Bank (NIMFB) refers to any MFB that is licenced by the CBN to carry on the business of providing financial services; engages in trading, investment and commercial activities; and also provides financial products and services.

In issuing the guidelines, the CBN aims to, among other things, offer the public an alternative system of microfinance banking that operates based on the concept of profit and loss sharing rather than charging of interest. It is expected that the introduction of this concept will engender broader and healthier competition among MFBs which may in the long run bring down the cost of doing business. The CBN also expects that the introduction of non interest microfinance banking services will bring formal financial services to individuals, communities and corporations that are reluctant to patronise conventional MFBs based on either religious, ethical or cultural beliefs.

4.8 Pensions

It is noted that regarding the Contributory Pension Scheme in Nigeria, 25 states have joined the scheme since its commencement, while 11 were yet to. Ten states had fully implemented the provisions of their pension laws. As of December 2015, pension assets in Nigeria stood at N5.2 trillion and the number of Retirement Savings Account (RSA) holders had grown to 6.5 million.

The Pension Reform Act 2014 enables a Retirement Savings Account holder to utilise part of retirement savings for approved mortgage purposes. A draft guideline to that effect had been exposed to stakeholders for comments.

5 Telecoms Sector

According to the Nigerian Communications Commission (NCC), in May 2016, the number of active lines was 148,848,158. Teledensity reached 106.32 per cent. The table below provides a summary of telephone subscribers in May 2016.

	Number of connected lines	**Number of active lines**
Mobile GSM	**214,668,963**	**148,189,043**
Mobile CDMA	**3,678,680**	**487,141**
Fixed Wired/Wireless	**353,278**	**171,974**
Total	**218,700,921**	**148,848,158**

Source: NCC

5.1 Internet Users

The Nigerian Communications Commission stated that the number of Internet users through mobile networks in the country in May 2016 was 92.4 million. Of the 92.4 million internet users connecting via mobile networks, 92.3 million were on GSM networks, while 0.1 million were on CDMA networks.

6 Mobile Money

6.1 Africa

Tanzania is among the three East African countries that lead Sub-Saharan Africa in mobile banking, according to the International Monetary Fund (IMF). The IMF reported that out of the 28 countries in Sub-Saharan Africa for which information is available, six countries have holders of mobile accounts exceeding 20 per cent of the adult population. Although Kenya leads the region, with 60 per cent of adults having accounts, mobile money transactions are also growing rapidly in Tanzania and Uganda, where transactions doubled in the last three years in terms of broad money.

In several African countries, namely Côte d'Ivoire, Kenya, Niger, Tanzania, Uganda, and Zimbabwe, the number of mobile accounts has already exceeded the number of traditional bank accounts. Among West African countries such as Nigeria, mobile payments have increased, although from a low base.

6.1.1 Tanzania

The cost of sending and receiving money through mobile platforms is set to rise in Tanzania, with telecom firms eying increases in transaction fees. The Tanzanian government imposed a 10 per cent excise duty on all mobile money transfers in the 2016/17 budget as it seeks to raise enough revenue to finance its Sh29.5 trillion budget. Initially, mobile firms only paid tax on fees charged on sending money, but will from July 1 2016 have to pay tax on charges levied on withdrawals, which currently comprise the largest chunk of income from the services.

6.1.2 Kenya

The use of mobile technology to access healthcare is fast gaining momentum in Kenya. More than half of Kenya's population earning less than Sh250 has access to a mobile phone, making it possible for many to use mobile money platforms to conveniently mobilise funds for healthcare, especially for the low income earners. Health consultant Josea Rono said that "faster access to care can prevent the deterioration of health conditions reducing the costs of treatment while offering safe and convenient options for payment. Mobile money has made saving for healthcare more attainable for low income earners through incentives such as dedicated healthcare accounts, saving goals and bundled services. Through mobile money, case study companies have realised a number of positive outcomes at the bottom of the pyramid (BoP), including increased access to quality healthcare, increased savings and a wider range of health insurance products."

A study conducted by the United States Agency for International Development (USAID) showed that while mobile money services are greatly expanding in developing markets, their use in the health sector, especially among rural poor people, has been limited. This can be attributed to low citizen awareness and literacy and limited availability of agents. Further research is needed to investigate how mobile money use increases uptake of health services, expands access to service for poor communities, increases provider's productivity and improves productivity and health financial management.

More than a third of the money sent through mobile phones in Kenya between October and December 2015 went into paying for goods and services. Statistics from the Communications Authority of Kenya indicate Sh275.8 billion (33.9 per cent) of the Sh813.7 billion worth of 333.2 million mobile money transfers was through mobile commerce platforms.

6.1.3 Ghana

Bank of Ghana

Telecom operators in the country have welcomed moves by the Bank of Ghana to revise the current mobile money regulations in the country. They however want the revisions to include provisions that will protect operators and consumers from fraud. According to them, a clear policy on addressing fraudulent cases in mobile money transactions will build confidence and increase patronage of the service.

The total value of transactions for mobile money increased by over 100 per cent for the first quarter of 2016 compared to the same period in 2015. 13.8 billion cedis worth of transactions were recorded in the first quarter of 2016 alone. Active mobile money customers have increased by 70 per cent in Q1 2016, compared to the same period in 2015, to 5.3 million.

6.1.4 Malawi

Members of Parliament (MPs) have asked government to collect taxes from the mobile money services providers. Speaking during the passing of the payment system bill, Member of Parliament from Dowa East, Richard Banda, said "The mobile money services providers deduct huge amounts of money from clients using the services either by sending or receiving cash, so government through Malawi Revenue Authority (MRA) must also benefit from it by collecting the tax from them."

6.2 Nigeria

6.2.1 Central Bank of Nigeria

The Central Bank of Nigeria (CBN) has extended the N2 billion recapitalisation deadline for Mobile Money Operators (MMOs) in Nigeria. The recapitalisation deadline has been extended to June 2017 for all MMOs to recapitalise to N1 billion and June 2018 for all MMOs to recapitalise to N2 billion. Any MMO which fails to meet up with the revised re-capitalisation deadlines will be shut down. The extension was due to the economic climate in Nigeria, which has resulted in low investor inflow into the country. Only two non-bank-led MMOs had met up the original recapitalisation deadline. All new entrants must meet the 2bn naira capitalisation before being considered for licensing.