EFInA Quarterly Review

(July to September 2015)

1 Global Economy

1.1 Growth

The International Monetary (IMF) cut its projections for global growth to 3.1 per cent in 2015 from its previous forecast of 3.3 per cent. The IMF also reduced its prediction for global growth in 2016 to 3.6 per cent. The IMF said that there is a 50 per cent chance the global growth rate will fall below 3.0 per cent in 2016. The sharpest downgrades are in emerging economies, especially Brazil, Nigeria, South Africa and Russia.

The IMF cut its forecast for emerging markets to 4.0 per cent this year, down 0.2 per cent from its last update in July. As growth prospects deteriorate in emerging markets, investors are pulling their cash out en masse. The Institute of International Finance, estimates that this year will mark the first net exodus of capital out of emerging markets in 27 years, with more than a trillion Dollars leaving countries such as Brazil, Turkey and South Africa.

China's slowdown drastically reshaped demand for global commodities, which many developing economies rely on to drive growth. Many economists now forecast years of soft prices for metal and energy products. Investors are also increasingly worried China's economy could nosedive if the credit-fuelled bubbles in the real estate, construction and manufacturing sectors burst. The IMF forecast for China's growth is to slow to 6.3 per cent in 2016 from 6.8 per cent this year. A booming services sector appears to be off-setting a decline in manufacturing, as the country transitions to a new growth model more reliant on domestic consumption.

The IMF warns that developing economies face a wave of corporate defaults. Firms in these countries increased their debt levels by 30.0 per cent of gross domestic product over the past five years, fuelled by cheap central bank cash. Growth in low-income developing economies is expected to slow to 4.8 per cent in 2015 from 6.0 per cent in 2014, in large part due to weak commodity prices and the prospect of tighter global financial conditions.

1.2 Sustainable Development Goals

At the United Nations Sustainable Development Summit in September, world leaders adopted the 2030 Agenda for Sustainable Development, which includes a set of 17 Sustainable Development Goals (SDGs) to end poverty, fight inequality and injustice, and tackle climate change by 2030.

The SDGs, otherwise known as the Global Goals, build on the Millennium Development Goals (MDGs), eight anti-poverty targets that the world committed to achieving by 2015. The MDGs, adopted in 2000, aimed at an array of issues that included reducing poverty, hunger, disease, gender inequality, and improving access to water and sanitation. Enormous progress has been made on the MDGs, showing the value of a unifying agenda underpinned by goals and targets. Despite this success, the indignity of poverty has not been ended for all.

The new Global Goals and the broader sustainability agenda go much further than the MDGs, addressing the root causes of poverty and the universal need for development that works for all people. UNDP Administrator, Helen Clark stated that, "This agreement marks an important milestone in putting our world on an inclusive and sustainable course. If we all work together, we have a chance of meeting citizens’ aspirations for peace, prosperity, and wellbeing, and to preserve our planet." The Global Goals will now finish the job of the MDGs, and ensure that no one is left behind. All 17 SDGs are connected to UNDP’s Strategic Plan focus areas: sustainable development, democratic governance and peace building, and climate and disaster resilience.

Multilateral Development Banks (MDBs) and the IMF have agreed to adopt the Sustainable Development Agenda for the next generation and have fully committed to increasing their support and funding. The MDBs are the African Development Bank (AfDB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Inter-American Development Bank (IDB), and the World Bank Group. The Asian Development Bank has unveiled a plan to increase its support for inclusive and sustainable development by up to 50.0 per cent from 2017 to around $20 billion yearly and to double its climate financing to $6 billion yearly by 2020.

1.3 Development

The World Bank has made the most dramatic change to its global poverty measure for 25 years, raising it by a half to $1.90 per day from $1.25 per day, in a move likely to swell the statistical ranks of the world’s poor by tens of millions. The move made in October 2015, is the biggest revision since the World Bank introduced its $1.00 a day yardstick of global poverty in 1990. Jim Yong Kim, the World Bank president, said the decision to adjust the poverty line was a necessary update due to new data on purchasing power. The new measure he said, “Had been very well vetted by the Bank’s poverty experts. We don’t think we moved the goalposts, we think we simply updated the goalposts to 2015.”

Just over 900 million people globally lived under the poverty line of $1.90 per day in 2012 (based on the latest available data), and the World Bank projects that in 2015, just over 700 million are living in extreme poverty.

According to the most recent estimates, in 2012, 12.7 per cent of people in the developing world lived on or below $1.90 a day. That is down from 37.0 per cent in 1990 and 44.0 per cent in 1981. While poverty rates have declined in all regions, progress has been uneven:

- East Asia saw the most dramatic reduction in extreme poverty, from 78.0 per cent in 1981 to 8.0 per cent in 2011.
- In South Asia, the share of the population living in extreme poverty dropped from 61.0 per cent in 1981 to 25.0 per cent in 2011.
- Sub-Saharan Africa reduced its extreme poverty rate from 53.0 per cent in 1981 to 47.0 per cent in 2011.
- China alone accounted for most of the decline in extreme poverty over the past three decades. Between 1981 and 2011, 753 million people moved above the $1.25 a day threshold. During the same time, the developing world as a whole saw a reduction in poverty of 942 million.
- In 2011, just over 80.0 per cent of the extremely poor lived in South Asia (399 million) and Sub-Saharan Africa (415 million). In addition, 161 million lived in East Asia and Pacific.

1.4 Population

New population forecasts from the United Nations highlight a new world order in 2050. The global population is expected to grow from 7.3 billion in 2015 to 9.7 billion by 2050, 100 million more than was estimated in the UN's last report two years ago. More than half of this growth will come from Africa, where the population is set to double to 2.5 billion. Nigeria's population is expected to reach 399 million, overtaking America as the world's third most-populous country. Democratic Republic of Congo and Ethiopia will swell to more than 195 million and 188 million respectively, more than twice their current numbers. India will surpass China as the world's most populous country in 2022, six years earlier than was previously forecast. China's population will peak at 1.4 billion in 2028; India's four decades later at 1.8 billion.

1.5 Non-Interest Finance

The International Finance Corporation (IFC) has received a preliminary AAA rating from Standard & Poor's for a proposed $100 million issuance of sukuk, or Islamic bonds. Proceeds of the sukuk will be used to purchase a portfolio of diversified sharia compliant receivables and other assets. The transaction will match the size of the last sukuk issued by IFC in 2009. IFC has selected Dubai Islamic Bank, HSBC, National Bank of Abu Dhabi and Standard Chartered as joint lead managers for the sukuk transaction. The sukuk will have a wakala structure and will be listed on NASDAQ, Dubai and London Stock Exchange. Under the wakala structure, one party acts as an agent managing assets for another. This is the third time that IFC has issued a sukuk. Its first sukuk was issued in 2004 in Malaysia, a 500 million Malaysian Ringgit ($134 million) three-year deal.

2 African Economies

2.1 Growth

In October, the World Bank said that growth rate of African economies will drop to 3.7 per cent in 2015 from 4.6 per cent in 2014, due to a more challenging economic environment. The World Bank's 2015 forecast remains below the 6.5 per cent growth which the region achieved in 2003-2008, and below the 4.5 per cent growth following the global financial crisis in 2009-2014. Growth in the region is projected to pick up to 4.4 per cent in 2016, and further strengthen to 4.8 per cent in 2017.

Sharp decline in the prices of oil and other commodities have contributed to the recent weakness in growth. Other external factors such as China's economic slowdown and tightening global financial conditions weigh on Africa's economic performance. Compounding these factors, bottlenecks in supplying electricity in many African countries will hamper economic growth in 2015. Several countries are continuing to enjoy robust growth. Cote d'Ivoire, Ethiopia, Mozambique, Rwanda and Tanzania are expected to grow at around 7.0 per cent or more per year in 2015-17, spurred by investments in energy and transport, consumer spending and investment in the natural resources sector.

In the next few years, growth in Sub-Saharan Africa will be repeatedly tested as new shocks occur in the global economic environment, underscoring the need for governments to embark on structural reforms to alleviate domestic impediments to growth. Investments in new energy capacity, attention to drought and its effects on hydropower, reform of state-owned distribution companies, and renewed focus on encouraging private investment will help build resiliency in the power sector. Governments can boost revenues through taxes and improved tax compliance. Complementing these efforts, governments can improve the efficiency of public expenditures to create fiscal space in their budgets.

2.2 Poverty Levels

A new World Bank report titled 'Africa Poverty Report' revealed that Africa's poverty rate is now at 43.0 per cent compared to a previous figure of 56.0 per cent. The World Bank Vice President, Africa Region, Mr. Makhtar Diop said "We have a lot of work to do because we still have a larger number of poor people in Africa, hundreds of millions." He said the report represented the most recent poverty data available and seeks to highlight the need to know the determinants of poverty in Africa. However, he said much of the progress in poverty reduction came from the non-income dimension of poverty which witnessed improvement in literacy and child mortality rates as well as increase in life expectancy in the continent. The Vice President further noted that the new figures were still a far cry compared to what is obtainable in the developing world. He said poverty eradication should not be limited to the Millennium Development Goals or Sustainable Development Goals but be seen as a foremost demand from the people of Africa. The reported estimated that two out of five people were still malnourished in Africa, while education systems have serious problems in terms of quality.

2.3 Foreign Investment

According to the African Economic Outlook 2015 report, following plans by Walmart (US retail giant) to enter Nigeria's retail market, and increasing Greenfield investment from China, India and South

Africa, foreign investments in Nigeria and other African countries is expected to reach $73.5 billion by the end of 2015. Foreign direct investment is diversifying away from mineral resources into consumer goods and services and is increasingly targeting large urban centres in response to the needs of a rising middle class.

Official remittances to Africa have increased six-fold since 2000, and are projected to reach $64.6 billion in 2015, with Egypt and Nigeria receiving the bulk of flows. Official remittances remain the largest source of international financial flows to Africa, accounting for about 33.0 per cent of the total amount since 2010.

Conversely, Overseas Development Assistance is expected to decline in 2015 to $54.9 billion, and is projected to diminish further. Most countries in Sub-Saharan Africa are expected to receive less aid in 2017 than in 2014.

2.4 Non-Interest Finance

The Ivorian government signed an agreement with the Islamic Corporation for Private Sector Development (ICD) in September for the structuring of a CFAF150 billion (€225 million) sukuk. As a lead arranger, the subsidiary of the Islamic Development Bank (IDB) will be responsible for selecting the different stakeholders, coordinating and liaising with government officials to oversee the entire process of implementing the programme. The sukuk is expected to be issued in November 2015, and is the first tranche of the programme that is expected to reach CFAF300 billion for the period 2015-2020. The Ivorian government wants to diversify its sources of funding to facilitate the execution of development projects.

3 Nigerian Economy

3.1 GDP

According to the National Bureau of Statistics (NBS), the nominal GDP in Q2 2015 was N22.859 trillion compared to N21.735 trillion achieved in Q2 2014, which represents an increase of 5.17 per cent. In Q2 2015, the oil and gas sector contributed N1.782 trillion to Nigeria's GDP, whilst the non-oil sector contributed N21.077 trillion. The non-oil sector grew by 3.46 per cent (year-on-year) in real terms in Q2 2015. The growth in the non-oil sector was largely driven by the activities of Trade, Crop Production, Construction and Telecommunications.

3.2 Inflation

According to the NBS, Nigeria's Consumer Price Index (CPI), which measures inflation, rose to 9.4 per cent (year-on-year) in September 2015, up from 9.3 per cent in August 2015. The increase in inflation in September was as a result of higher prices in multiple categories, including: Alcoholic Beverages, Tobacco and Kola; Clothing and Footwear; and Housing, Water, Electricity, Gas and Other Fuels. The Eid al-Adha holiday period may have contributed to higher food prices, the Food sub-index as a whole recorded a marginal increase from 10.1 per cent (year-on-year) in August 2015 to 10.2 per cent in September 2015.

The rate of inflation in Nigeria has increased from 8.2 per cent in January 2015 to 9.4 per cent in September 2015.

3.3 Foreign Reserves

Nigeria's foreign exchange reserves declined to $30.34 billion on September 30, 2015 from $31.32 billion on August 31, 2015. Between September 2014 and September 2015, the reserves have decreased by 23.2 per cent. In order to reduce the deterioration of the foreign reserves, the Central Bank of Nigeria has implemented restrictions on imports of non-essentials.

3.4 Government Debt

In October, the Debt Management Office (DMO) disclosed that Nigeria's external debt had risen to $11 billion compared to $9.4 billion recorded in March 2014. Domestic debt had also risen to N11 trillion. These debt levels include external debts of the federal and all the state governments as well as the domestic debts of the federal government and all the state governments.

3.5 Employment

The National Bureau of Statistics reported that the working age population in Nigeria (those between the ages of 15 and 64) increased from 102.8 million in the first quarter to 103.5 million in the second quarter, an increase of 0.81 per cent. The labour force population, which represents the portion of working-age people who are willing, able and actively looking for work, increased to 74.0 million in Q2 2015 from 73.4 million in Q1 2015.

The unemployment rate in Nigeria increased from 7.5 per cent in Q1 2015 to 8.2 per cent in Q2 2015, with 529,923 more unemployed people in Q2 than was recorded in Q1. This represents the third consecutive rise in the unemployment rate since Q3 2014. The underemployment rate also increased from 16.6 per cent in Q1 2015 to 18.3 per cent in Q2 2015. Underemployment occurs if one works less than 40 hours per week, or works full time but engages in an activity that underutilises one's skills, time and educational qualifications. In total, 19.6 million people between 15 to 65 years were either unemployed or underemployed in Q2 2015, compared to 17.7 million in Q1 2015.

In Q2 2015, the total number of people in full employment (at least 40 hours per week) decreased by 1.3 million. The decrease in the number of people in full employment is attributable to either job losses or a change in employment status from full-time to part-time employment.

Unemployment is higher among women than men, with 9.6 per cent of women in the labour force unemployed and 21.6 per cent of women underemployed in Q2 2015, versus 6.9 per cent of men in the labour force unemployed and 15.4 per cent underemployed. Underemployment remains higher in rural areas, given the seasonal nature of farm work, while unemployment is higher in urban areas, where graduates search for white collar jobs. Of rural Nigerians in the labour force, 22.1 per cent are underemployed and 7.4 per cent are unemployed. In urban areas, the underemployment rate is 9.5 per cent and unemployment rate is 10.1 per cent.

3.6 JP Morgan Bond Index

In September, JP Morgan stated that Nigeria would be phased out of its Government Bond Index (GBI) due to alleged lack of liquidity and transparency in the nation's foreign exchange market. The JP Morgan Index has around $210bn in assets under management benchmarked to it. JP Morgan said the phase-out would take place between September 30, 2015 and October 30, 2015. Nigeria was the second African country after South Africa to be listed on the JP Morgan's emerging Government Bond Index. The Index included Nigeria's 2014, 2019, 2022 and 2024 bonds, which was equivalent to a weight of 1.8 per cent in the Index.

JPMorgan's action could put Nigeria's external reserves under pressure as it may lead to further massive sell-offs of Nigerian assets by foreign portfolio investors. The reserves are expected to deplete further as a result of this decision. When the global decline in oil prices hit the Naira, the CBN initially sought to support it using external reserves, but had to resort to market controls as pressure persisted.

JPMorgan said Nigeria would not be eligible for re-inclusion in the Index for a minimum of 12 months and this is dependent upon a consistent track record of satisfying the Index inclusion criteria, such as a liquid currency market.

3.7 Financial Inclusion

The Brookings 2015 Financial and Digital Inclusion Project (FDIP) report, which evaluates access to and usage of affordable financial services across 21 countries, has rated efforts by Nigeria to drive financial inclusion as high. Nigeria tied for 1st place for country commitment and was ranked 9th for the country's overall financial inclusion efforts. The report analysed the financial inclusion landscape in Afghanistan, Bangladesh, Brazil, Chile, Colombia, Ethiopia, India, Indonesia, Kenya, Malawi, Mexico, Nigeria, Pakistan, Peru, the Philippines, Rwanda, South Africa, Tanzania, Turkey, Uganda, and Zambia. Countries received scores and rankings based on 33 indicators across four dimensions: country commitment, mobile capacity, regulatory environment, and adoption.

Other highlights of Nigeria's performance included: 8th place for mobile capacity; 12th place for regulatory environment; and 10th place for adoption. The report highlighted meaningful initiatives that Nigeria, led by the Central Bank, has undertaken to promote financial inclusion in Nigeria, including: launched a national financial inclusion strategy in 2012 and instituted a Financial Inclusion Secretariat***;*** developed an extensive set of quantifiable goals, including increasing the percentage of the adult population using formal financial services to 70.0 per cent by 2020; and issued the 2013 guidelines on agent banking, which enabled banks to expand beyond traditional brick-and-mortar infrastructure***.***

The report noted that with about 44.0 per cent of adults aged 15 and older have an account with a formal financial institution or mobile money provider as of 2014, up from about 30.0 per cent in 2011 (World Bank's Findex), Nigeria has clearly demonstrated progress towards deepening financial inclusion. However, it highlighted that further work remained to be done with respect to expanding access to formal financial services among the remaining adults who are largely excluded from the formal financial sector.

3.8 Ease of Doing Business

Nigeria moved up five places in the latest ranking by the World Bank on the ease of doing business. The World Bank ranked Nigeria 170th among 189 countries surveyed, an improvement from the 175th position it occupied in 2014. Nigeria was ranked 129th on the ease of starting a business (138th in 2014). On dealing with construction permits it was ranked 171st as against 168th in 2014. On registering property, Nigeria remained 185th as it had been the previous year. The country however significantly improved on the access to credit ranking as it moved from 125th in 2014 to 52nd in 2015. Nigeria fell by one position in the ranking for protecting minority investors as it moved from the 61st in 2014 to 62nd in 2015. On paying taxes, Nigeria ranked 179th in 2015, as against 177th in 2014.

The report showed that Singapore was the best country in the world to do business, followed by New Zealand, Hong Kong, Denmark, Norway, the United States, the United Kingdom, Finland and Austria. Mauritius remained the best country in Africa with a worldwide ranking of 28th.

4 Financial Sector

4.1 Capital Markets

Between July and September 2015, the Nigerian Stock Exchange All Share Index (ASI) declined by 5.0 per cent from 32,863.43 on July 1 to 31,217.77 on September 30. However, the market capitalisation recorded a more significant decline of 6.8 per cent from N11.22 trillion on July 1 to N10.46 trillion on September 30.

The Securities and Exchange Commission (SEC), the Central Bank of Nigeria (CBN) and other stakeholders in the financial sector are collaborating to facilitate electronic dividend (e-dividend) payments for shareholders. E-dividend is the direct payment of dividends into investors' accounts, was introduced by the SEC as part of its efforts to tackle unclaimed dividends and encourage patronage of the capital market. However, shareholders have not embraced this initiative as expected due to some challenges involved in the process of obtaining e-dividend mandate forms.

The SEC and CBN, in collaboration with Bankers' Committee and other stakeholders, are working to facilitate e-dividend registration. The regulators have put together a market wide technical committee, which has developed a platform that will make it easy to register for e-dividend payments. The sub-committee worked with Central Securities Clearing System (CSCS) and Nigerian Inter-Bank Settlement System (NIBSS) to develop modalities for a portal where e-dividend mandate forms can be generated, filled and submitted online.

The poor acceptance of e-dividends has partly contributed to the growth in unclaimed dividends in the capital market. Unclaimed dividend returns filed by 112 companies as at December 2014 was N55.22 billion. The Director General of SEC, Mr. Mounir Gwarzo, asked registrars to ensure 100.0 per cent compliance on e-dividends, as one of the ways of reducing unclaimed dividends. He said that the SEC will embark on a massive public enlightenment programme to educate the public so as to ensure that they get the full benefits of their investments. The public enlightenment campaign will include other recent issues in the market, such as dematerialisation, straight through processing and the Complaints Management Framework.

4.2 Financial Inclusion

NDIC

In August, the Nigeria Deposit Insurance Corporation (NDIC) introduced the deposit insurance system into the curricula of Nigerian universities across the country. The Corporation said the move was part of the on-going efforts toward enhancing public awareness on its mandate and operational activities. The programme commenced with two courses: 'Fundamentals of Deposit Insurance Scheme' and 'The Practice of Deposit Insurance,' which are designed for students of Business Administration, Economics, Banking and Finance, and Accounting. The courses have already commenced at Ahmadu Bello University, Zaria, while six other Nigerian universities, namely University of Lagos; University of Nigeria, Nsukka; Obafemi Awolowo University, Ile-Ife; Bayero University, Kano; University of Ibadan; and University of Benin, will start running the courses from next academic session. The NDIC stated that this initiative will go a long way to enhance the quality of potential staff of banks as well as promote financial literacy and financial inclusion.

4.3 Banking Industry

4.3.1 Central Bank of Nigeria

Consumer Protection Framework

The CBN in furtherance of its mandate to promote a sound financial system has embarked on the development of a Consumer Protection Framework (CPF) for the banking industry. The Framework is expected to engender public confidence in the financial system with a view to enhancing financial inclusion. In the exposure draft for the CPF, the CBN explained that the document would guarantee standards for customer service, market discipline and ensure that consumers are treated fairly by financial institutions under its regulation.

The CBN noted that, despite the major achievements and increasing consumer confidence in the financial sector, prevalent issues still remained unresolved. Consequently, to enhance focus on the consumer agenda and ensure that consumers of financial services are protected and treated fairly, the CBN stated that it recognised the need to define a strong, effective and overarching regulatory/supervisory Consumer Protection Framework. The apex bank stressed that the ultimate aim of the Framework is to ensure enhanced consumer and investor confidence in the financial services industry and ultimately promote financial stability, growth and innovation over the long term.

Bank Verification Number (BVN)

The emerging statistical trend of the Biometric Verification Number (BVN) registration exercise shows that there are about 52 million active bank accounts in various banks. Out of this, only 20 million accounts were linked to BVNs as at September 2015.

The Nigeria Inter-Bank Settlement System (NIBSS) is collaborating with Airtel and Etisalat to provide a USSD code which bank customers can easily access their BVNs. This is aimed at building confidence among Nigerians over BVN enrolment and to address issues around multiple BVN registration. Customers who have registered for their BVN can now dial *565*0# on their mobile phones to access their BVN.

Cash-less Policy

In August, the CBN directed deposit money banks, microfinance banks, as well as primary mortgage institutions to refund their customers for charges applied since 1st of July 2015, for withdrawals above the stipulated threshold under the Cash-less Policy in the remaining 30 states. The CBN had initially piloted the Cash-less Policy in Lagos, and then deployed the policy to five additional states and the Federal Capital Territory, before announcing nationwide deployment of the policy. In the latest circular, the CBN directed that charges applied to customers in the remaining 30 states be put on hold, until a further directive is received from the apex bank.

4.3.2 Deposit Money Banks

According to the CBN economic reports for Q1 and Q2 2015, total assets of banks dropped to N28.401 trillion in Q2 2015 from N28.587 trillion in the first quarter. Similarly, banks' lending to the economy dropped to N17.262 trillion in the second quarter from N17.280 trillion in the first quarter, which represents a decline of 1.1 per cent, in contrast to the 4.4 per cent growth in the preceding quarter. The development was attributed to the decline in claims on the Federal Government and the private sector in Q2 2015.

In Q2 2015, the total specified liquid assets of the banks were N6,348.1 billion, representing 35.8 per cent of their total current liabilities. At that level, the liquidity ratio was 0.7 percentage point below the level in the preceding quarter, but was 5.8 percentage points above the stipulated minimum ratio of 30.0 per cent. The loans-to-deposit ratio, at 67.8 per cent, was 1.6 percentage points above the level at the end of the preceding quarter, but was 12.2 percentage points below the prescribed maximum of 80.0 per cent.

Treasury Single Account

In August, President Muhammadu Buhari ordered all Federal Government Ministries, Departments and Agencies to start paying into a Treasury Single Account (TSA) for all government revenues, incomes and other receipts. According to the directive, this measure is specifically to promote transparency and facilitate compliance with sections 80 and 162 of the 1999 Constitution. The TSA is a unified structure of government bank accounts enabling consolidation and optimal utilisation of government cash resources. It is a bank account or a set of linked bank accounts through which the government transacts all of its receipts and payments and gets a consolidated view of its cash position at any given time.

With full implementation of the TSA, the banking system is projected to record a net debit of about N1 trillion. While the implementation of TSA is targeted at federal agencies, it also affects both the Naira and Dollar deposit levels and the balance sheets of banks, as the deposits/assets have to be transferred from the banks to the CBN. In line with the directive from President Buhari that the TSA must be fully implemented by September 15, banks were duly notified by CBN of the need to ensure strict compliance.

4.3.3 Non-interest Banking

NDIC

In September, the Nigeria Deposit Insurance Corporation (NDIC) stated that it had developed a Non-interest Deposit Insurance Framework for the banking sector. The NDIC said the Framework was designed to create a level playing field and provide deposit protection for depositors involved in non-interest banking and protect them against possible losses. The Managing Director, NDIC, Alhaji Umaru Ibrahim, told stakeholders that the NDIC was in the process of appointing a committee of experts to advise it on all issues relating to the deposit insurance scheme for non-interest banking. He, however, noted that the dearth of viable investment windows and other Sharia-compliant investment portfolios would mean that collaboration between the Central Bank of Nigeria, Debt Management Office, Securities and Exchange Commission and the Infrastructure Concession and Regulatory Commission will be required.

4.3.4 E-Payments

NIBSS

In August, the CBN approved an industry-wide E-Payment Incentive Scheme and Awareness Campaign for electronic payment users, so as to encourage Nigerians to embrace the usage of electronic payments as a preferred means of payment for financial transactions. The Incentive Scheme, known as the 'Electronic Payment Incentive Scheme (EPIS),' is being implemented by the CBN and NIBSS. The Scheme primarily focuses on rewarding users of e-payments in Nigeria, and to further encourage greater adoption of the on-going Cash-less Initiative by all, while promoting financial inclusion.

According to Funmi Momodu, the EPIS project manager, NIBSS, card holders are already benefitting from the CBN EPIS programme through the on-going weekly cash-back credited to their accounts for payments for purchases made via PoS terminals. Other components of the incentive Scheme include: the reduction of Merchant Service Charge (MSC) from 1.25 per cent to 0.75 per cent or a maximum of N1,200, as against the initial amount of N2,000; and the accelerated COT exemption for electronic transactions. The Scheme also permits merchants to provide cash-back services to cardholders following a purchase. This serves as an incentive for merchants to earn a fee for providing value-added cash-out services to customers following purchases of goods/services from their stores.

Part of the EPIS is the Loyalty Scheme (Point Based Reward System), which is scheduled to go live in the fourth quarter of 2015, which will allow cardholders to earn points each time payments are made via a PoS terminal. These points can be accumulated and redeemed for gifts on the CBN Loyalty Web portal. In addition, the CBN has approved the implementation of the EPIS Raffle Draw as a sensitisation exercise before the launch of the Loyalty Scheme. NIBSS is set to initiate draws in August 2015. The monthly draws are open to all domestic cards and are scheduled to commence in Lagos.

4.4 Microfinance

The CBN and NDIC have said that many microfinance banks (MFBs) in Nigeria are undercapitalised and are at risk of being distressed. The CBN and NDIC also said that microfinance banks in the country are making losses due to lack of enterprise risk management strategies and large overhead costs. Alhaji Ahmad Abdulahi, CBN Director, Other Financial Institutions Department, said that MFBs in Nigeria made a loss of N4.0 billion in 2014. He noted that the non-performing loans (NPLs) of MFBs were as high as 45.0 per cent as of June 2015, which is significantly higher than the regulatory range of 5.0 per cent. Alhaji Abdulahi also said the capital base of many MFBs' had been eroded through losses and increasing NPLs. He stated that the licenses of 83 MFBs were withdrawn between January and September 2015, and that the CBN and NDIC were in the process of withdrawing more licenses of distress-prone and undercapitalised MFBs.

4.5 Pensions

National Pension Commission (PenCom)

At the end of May 2015, the total funds under the Contributory Pension Scheme rose to N4.9 trillion, up from N4.5 trillion in January 2015 and N4.1 trillion at the end of 2013, according to PenCom. These funds have been invested in the following major categories:

- N2.48 trillion (50.64 per cent) in Federal Government of Nigeria's bonds
- N601.65 billion (12.25 per cent) in Treasury Bills
- N568.90 billion (11.58 per cent) in domestic ordinary shares
- N580.09 billion (11.80 per cent) in local money market securities
- N209.12 billion (4.26 per cent) in real estate properties
- N166.20 billion (3.38 per cent) in state government securities
- N140.06 billion (2.80 per cent) in corporate debt securities
- N72.97 billion (1.49 per cent) in foreign ordinary shares

Pensions for the Informal Sector

The Pension Operators Association of Nigeria (PenOp) has pledged to raise the number of workers covered by pensions to at least 20 million by 2024. The current level for both public and private sector workers is 6.6 million. PenOp in collaboration with PenCom has started an initiative to encourage the informal sector participation in the Contributory Pension Scheme (CPS). A framework for the informal sector participation in the CPS has been developed and input from stakeholders is being incorporated prior to final approval from PenCom.

Nigerian Stock Exchange

In July, the Nigerian Stock Exchange (NSE) announced the creation of the NSE Pension 40 Index as part of an initiative to drive market optimisation. The new Index provides a tracking mechanism for pension fund administrators (PFAs), closed pension fund administrators (CPFAs), fund managers and others that invest in accordance with PenCom guidelines. The Index can also act as a benchmark for measuring performance and reporting performance for retirement savings account (RSA) holders.

Commenting on the new Index, Executive Director, Business Development, NSE, Mr. Haruna Jalo-Waziri, said, "Investors want a diversified way of measuring market movements which have a wider coverage of companies. The NSE Pension Index will provide investors with an additional tool to make the most of Nigeria's capital market. It will also encourage the development of other products such as Exchange Traded Products (ETPs) and index futures on the Exchange." The NSE Pension Index will have the top 40 companies based on market capitalisation and liquidity. In addition, companies to be included must have a free float factor of at least 5.0 per cent.

4.6 Microinsurance

National Health Insurance Scheme (NHIS)

The National Health Insurance Scheme, NHIS, has requested customer data associated with the 120 million mobile phone users in the country to enable it accelerate the effectiveness of mobile health insurance in the country. Acting Executive Secretary of the NHIS, Femi Akingbade, said that mobile health insurance should have been more popular since it was launched in 2014, but the growth has been limited by logistical challenges arising from the need for inter-agency collaboration and excessive administrative charges imposed on mobile network operators. Mr. Akingbade said that the NHIS would use the data from registered phone users in the country to promote both the universal health coverage drive of the Federal Government and data capturing of everyone in the country. The NHIS has introduced some new programmes in the past two years to ensure all citizens enrol in the Scheme. NHIS believes that two of the new programmes, mobile health and community health insurance, will have wider acceptability among the population, with the former expected to attract larger customers.

4.7 Micro Small and Medium Enterprises

Bank of Industry

To aid its development financing objectives, especially to Small and Medium Enterprises (SMEs), the Bank of Industry (BoI), has secured a $100 million credit line from the African Development Bank. The line of credit, which is designed for on-lending to SMEs engaged in export-oriented businesses, is the first of such foreign facilities accessed by BoI after its reconstruction in 2001. The credit approval was received as a result of the implementation of various strategies and plans which have enhanced BoI's operations and repositioned it to better tackle the current challenges of Nigerian small businesses.

5 Telecoms Sector

According to the Nigerian Communications Commission (NCC), in September 2015, the number of active lines was 150,660,631. Teledensity reached 107.61 per cent. The table below provides a summary of telephone subscribers in September 2015.

	Number of active lines
Mobile GSM	**148,427,043**
Mobile CDMA	**2,042,105**
Fixed Wired/Wireless	**191,573**
Total	**150,660,631**

Source: NCC

5.1 Internet Users

According to the NCC, as at September 2015 there were 97.1 million active internet users.

6 Mobile Money

6.1 Africa

6.1.1 East Africa

The central banks of four East African countries are conducting a study that will set the baseline for money transfer fees across the region. In June, Heads of state in Uganda, Kenya, Rwanda and South Sudan ordered individual bank regulators to study money flows on mobile platforms and state how harmonisation of the rates could affect these flows. The study will assess technologies used in mobile money in respective countries, and analyse how secure it will be to harmonise the rates and have regional money transfer provisions. It will also explain the legalities involved in the changes that are expected to take place. Consumers are also to be notified of the advantages and disadvantages of the harmonised rates. Harmonised mobile money rates are likely to be enacted by the end of 2015. The harmonised rates are expected to enhance international remittances between customers of different mobile money operators.

6.1.2 Uganda

Kampala Capital City Authority

Traders making periodic payments to Kampala Capital City Authority (KCCA) will no longer have to queue to fill forms. This follows a newly launched partnership between MTN and KCCA to effect payment of taxes to the City Authority using MTN's mobile money service. According to Ms. Jennifer Musisi, Executive Director of KCCA, the move is part of the Authority's strategic plan to automate the entire revenue collection process targeting improved revenue collection.

Centenary Bank

Uganda's largest indigenous bank, Centenary Bank, in partnership with telecom companies has started a new mobile platform that will enable its customers to access records, deposit and withdraw money from their accounts using mobile phones. The new platform will be implemented by MTN Uganda and Airtel. Launching the platform in Kampala, the Deputy Governor of the Bank of Uganda, Dr. Louis Kasekende, said that the mobile banking platform is key in closing the gap of financial inclusion, especially in a country where the majority of the population lives in the rural areas. Commenting on the number of Ugandan using mobile money, Dr. Kasekende said, "The number of users has grown since 2009 when mobile money was introduced by telecom companies to currently about 18 million customers."

6.1.3 Kenya

Mobile money transactions in Kenya hit KES1.3 trillion in the first half of 2015 compared to KES1.1 trillion for the same period last year. This was helped by increased adoption of mobile money services, growing integration with other financial and non-financial services, and entry of many firms in the market. In the first six months of 2015, about KES7.3 billion was transacted daily, up from a daily average of KES6.2 billion in the similar period in 2014.

Analysts say the growth in mobile money transactions has been aided by improved product offerings across the various mobile payment platforms. Mobile money agents increased to 131,761 by the end of June 2015 up from 120,781 at the end of June 2014. Similarly, the number of customers at the end of June 2015 was 26.5 million up from 25.9 million at the end of June 2014.

M-Akiba

Kenya's plans to float the first-ever Government Bond to be offered exclusively via mobile phones. The solution, known as M-Akiba, will be delivered in partnership with Safaricom's M-PESA to continue the push that seeks to deepen access to retail bond trading, which was previously only accessible to commercial banks or traders. As part of this effort, the Treasury recently lowered the cost of government bonds from KES50,000 to KES3,000. Through the mobile-phone based M-Akiba solution, trades can reach an upper limit of KES140,000 per day during the bond offering period.

Competition Authority of Kenya

In August, the Competition Authority of Kenya (CAK) ordered Safaricom to be transparent and disclose to its M-PESA users how 'Lipa Na Mpesa' charges at merchant shops and petrol stations are calculated. Based on its consumer protection mandate and after undertaking investigations, CAK ordered Safaricom to undertake a campaign during prime time in electronic and print media for at least 14 days to sensitise consumers that settling bills through the Lipa Na Mpesa service at petrol stations may attract a fee of 0.5 per cent of the transaction value and that applicable charges on Lipa Na Mpesa service, can be accessed through the *234# USSD code. Going forward, Safaricom were also ordered to educate consumers by changing Point of Sale (PoS) materials to reflect any new charges that will be introduced by Lipa Na Mpesa merchants who are not currently charging for the service.

6.1.4 Zimbabwe

The Reserve Bank of Zimbabwe (RBZ) stated that electronic payments are expected to reach $50 billion by the end of the year, as the country’s mobile money sector continues to grow in both volume and value. All of the three mobile network operators in Zimbabwe – Econet, Telecel and NetOne – have mobile money platforms, which the RBZ said transacted a total of $6.1 billion between 2009 and 2014.

6.1.5 Ghana

Bank of Ghana

Bank of Ghana (BoG) has given another impetus for mobile money services in the country to boom following its approval and announcement of two new regulatory Guidelines. The central bank released the ‘E-money Issuers Guidelines’ and ‘Agent Guidelines’ to create an enabling regulatory environment for convenient, efficient and safe non-cash retail payments and transfers of funds. The Guidelines, disseminated in July, will replace the earlier Guidelines for Branchless Banking. The new Guidelines were developed with key stakeholders including the Ghana Chamber of Telecommunications, mobile network operators, banks, payment service providers and other prospective electronic money issuers.

The number of mobile money transactions in Ghana grew from 30 million in 2012 to 106 million by December 2014. The value of these transactions was GH¢171 million in 2012, GH¢2.4 billion in 2013 and GH¢11.6 billion in 2014, according to the BoG. Analysts believe that with the new Guidelines, both the number and value of transactions are set to multiply. The new Guidelines are expected to facilitate the expansion of financial services to include millions of Ghanaians who hitherto didn’t have a bank account. It will also help to encompass financial transactions within the informal sector.

6.2 Nigeria

In August, the CBN stated that it has decided to review its policy on mobile money to accommodate the Telcos because they have huge infrastructure and provide the enabling infrastructure for mobile money agents to work. “The Telcos have outlets and so they can operate as super-agents, which means, we can leverage on some of this infrastructure to provide mobile financial services. So, all outlets of the telecommunication companies are going to act as agents,” said Deputy Director, Banking and Payment System Department, CBN, Mr. Musa Jimoh.

In addition, starting in July 2016, the capital requirement for being a mobile money operator will be N2 billion. The CBN introduced mobile money services to provide basic financial services and create payment access especially to Nigerians without bank accounts, as well as to help drive financial inclusion in the country.