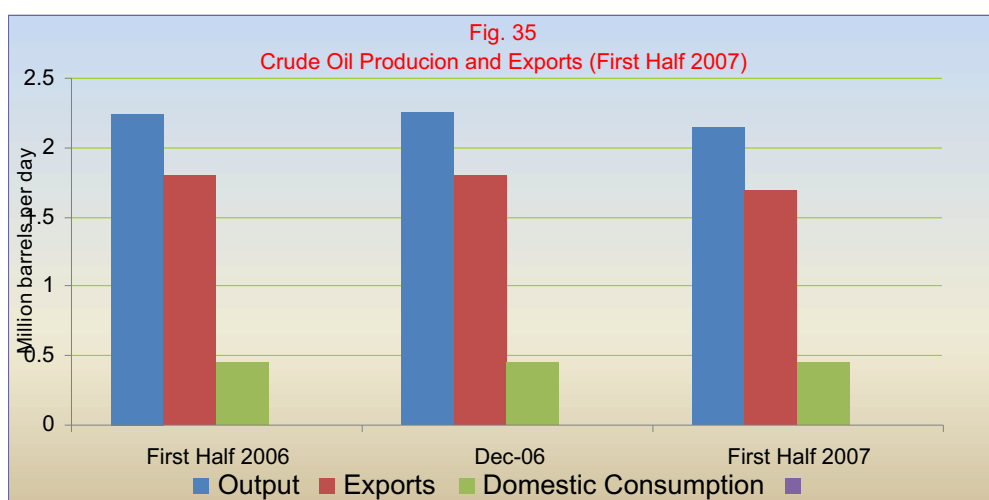


### 3.3.3 Crude Oil

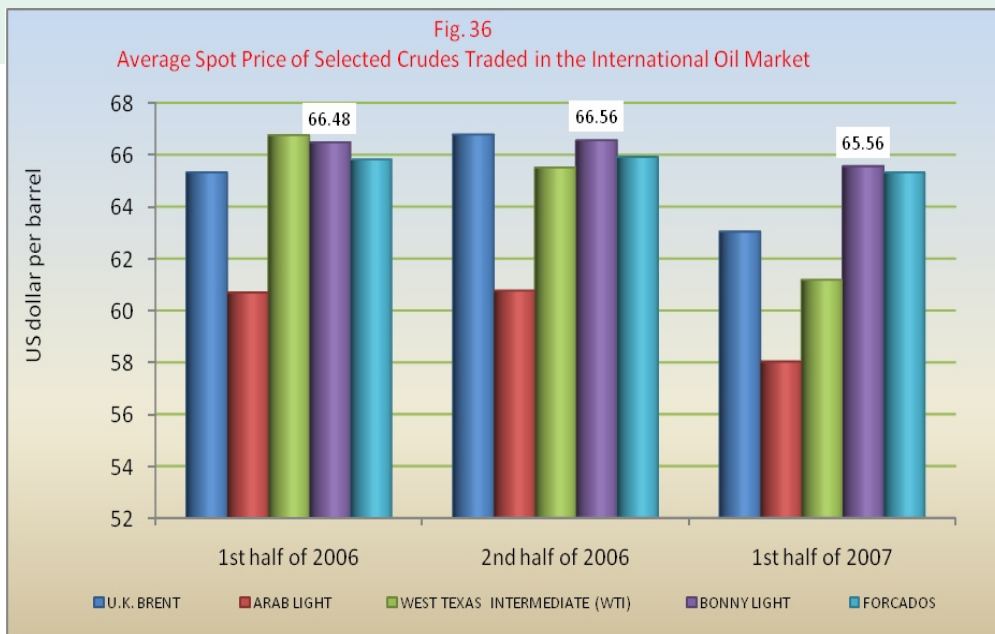
The declining trend in crude oil production observed in 2006 continued in the review period. Crude oil production, including condensates, which averaged 2.14 million barrels per day (mbd) or 387.34 million barrels (mb) during the period declined by 4.9 per cent relative to the first half of 2006. The decline in production was due to youth restiveness in the Niger Delta Area of the country, which led to the shutdown of some oil production facilities by the affected oil companies.

Aggregate export of crude oil averaged 1.69 mbd or 305.89 million barrels, compared with 1.8mbd or 325.8 mb in both the preceding half-year and the corresponding period of 2006. A total of 81.45 million barrels of crude oil was supplied to the Nigerian National Petroleum Corporation (NNPC) for local refining, out of which 1.75 million barrels or 2.15 per cent was processed, while 79.7 million barrels or 97.9 per cent was exported.



#### 3.3.3.1 Crude Oil Prices

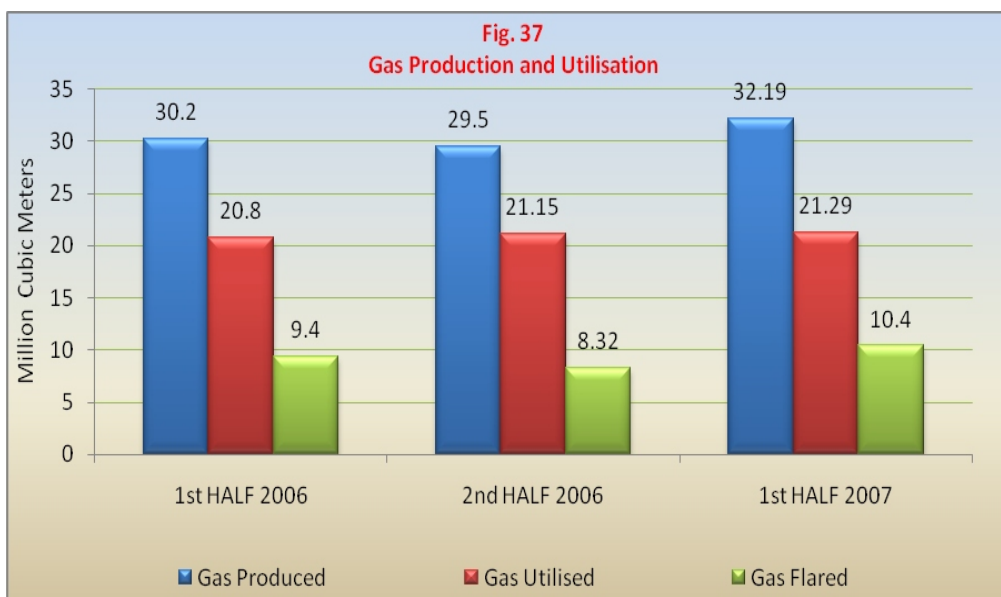
The average spot price of Nigeria's reference crude, the Bonny Light (37<sup>o</sup> API) decreased by 1.4 per cent relative to its level in the first half of 2006 to \$65.56 per barrel. The average price of the UK Brent, West Texas Intermediate and the Forcados, also dropped by 3.5, 8.4 and 0.8 per cent to \$63.04, \$61.18 and \$65.32 a barrel, respectively, compared with the corresponding half of 2006. The average price of OPEC's basket of eleven crude streams fell from \$61.44 per barrel in the first half of 2006 to \$59.4. The decrease in the price of crude oil was attributed to over supply occasioned by quota bursting by some OPEC members.



Source: Reuters

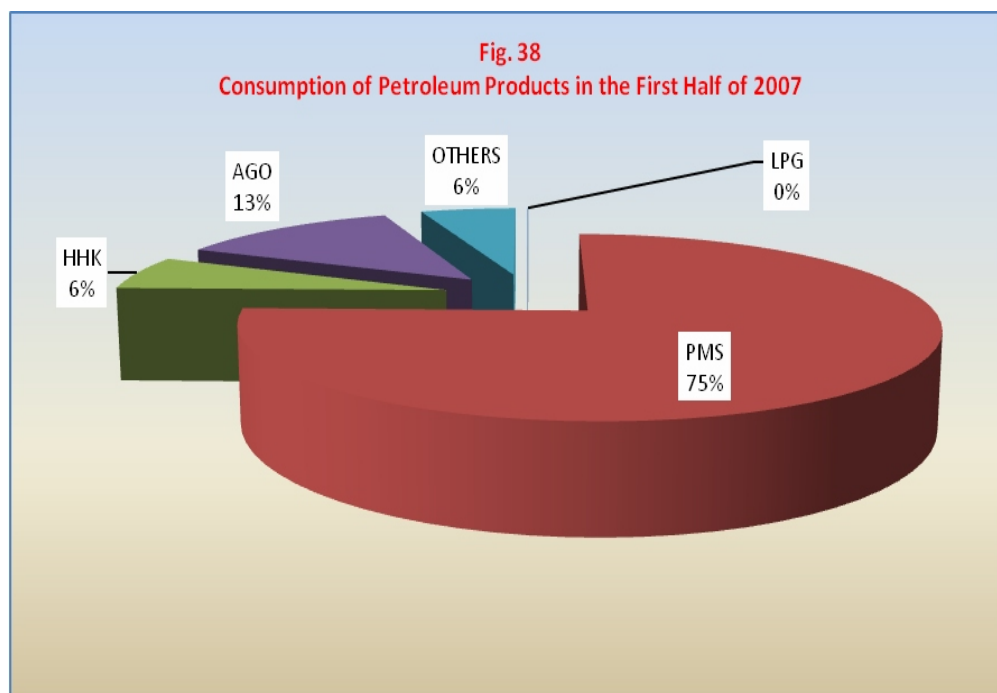
### 3.3.4 Gas

At 32.19 million cubic meters (MMm<sup>3</sup>), the estimated aggregate output of natural gas rose by 6.6 per cent over the level in the corresponding half of 2006. The increase was attributed to the expansion in the production of non-associated gas. Of the total quantity produced, gas flared was 10.4 MMm<sup>3</sup>, compared with 9.4 and 8.32 MMm<sup>3</sup> in the corresponding and preceding halves of 2006, respectively. The volume utilized rose by 2.4 per cent to 21.29 MMm<sup>3</sup>, compared with 20.8 MMm<sup>3</sup> in the first half of 2006. Of the total quantity utilized, 3.19 MMm<sup>3</sup>, 4.55 MMm<sup>3</sup>, and 9.94 MMm<sup>3</sup>, were re-injected, sold to NLNG and industries, respectively. The oil producing companies used 1.05 MMm<sup>3</sup> as fuel gas while gas lift was 0.69 MMm<sup>3</sup>.



### 3.3.5 Consumption of Petroleum Products

The major and independent petroleum products marketing companies distributed a total of 5.86 million litres of different white (petroleum) products to various parts of the country during the review period. Petrol (PMS), household kerosene (HHK), diesel (AGO) and "others" accounted for 75.4, 6.2, 12.9 and 5.5 per cent of the total volume distributed, respectively.



### 3.3.6 Solid Minerals

Available data from the Ministry of Solid Minerals Development showed that the total output of solid minerals declined by 79.8 per cent below the level in the corresponding period of 2006 to 3.5 million tons. The decline was attributable to the fall in the production of sand (99.7%), iron ore (99.3%), clay (95.2%), and marble aggregate (88.4%), among others.

### 3.3.7 Electricity Generation

At 2,808.4 mega-watts per hour (Mw/h), total electricity generation in the country fell by 2.5 per cent below the 2880.4 Mw/h attained during the first half of 2006. The decrease in electric power generation was attributed largely to the activities of vandals in the Niger Delta region, which disrupted gas supplies to the thermal stations in the country. Consequently, efforts at improving power supply to the economy, through the operationalization of the newly completed and existing plants suffered a set back.

#### 3.3.7.1 Electricity Consumption

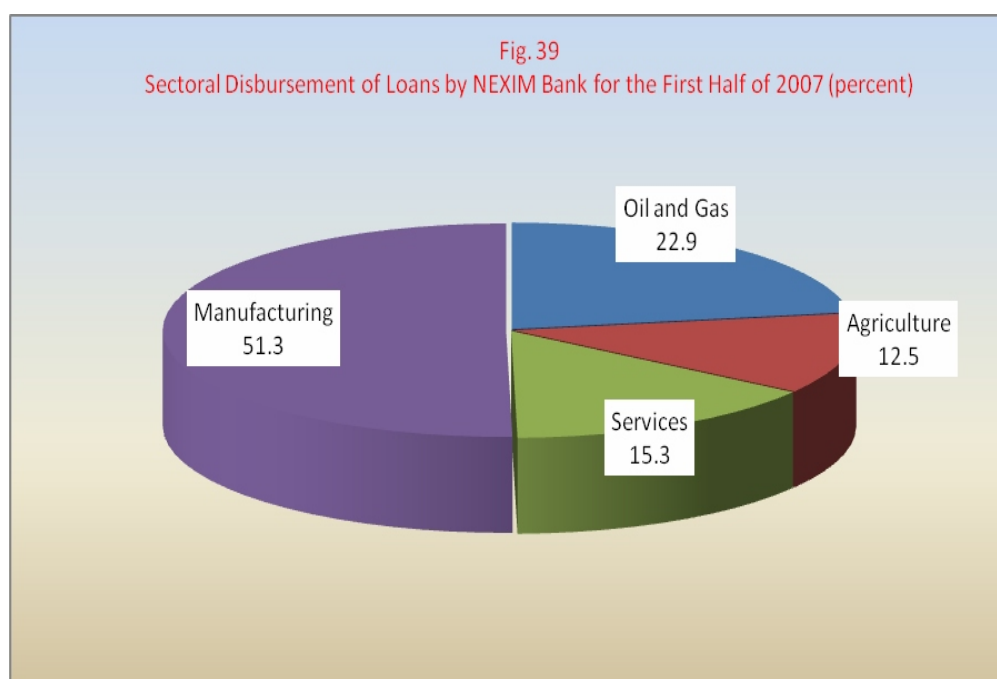
At 1635.03 Mw/h, total electricity consumption declined by 2.8 and 5.4 per cent from the levels in the preceding half year and the corresponding period of 2006. Of the total, residential consumption accounted for 51.3 per cent, commercial and street lighting accounted for 26.7 per cent while industrial consumption accounted for 22.0 per cent. The decrease in electricity consumption was attributed to the forced power outages and load shedding as well as power losses due to aging transmission and distribution facilities.

### 3.3.8 Industrial Financing

#### 3.3.8.1 Nigeria Export Import Bank (NEXIM)

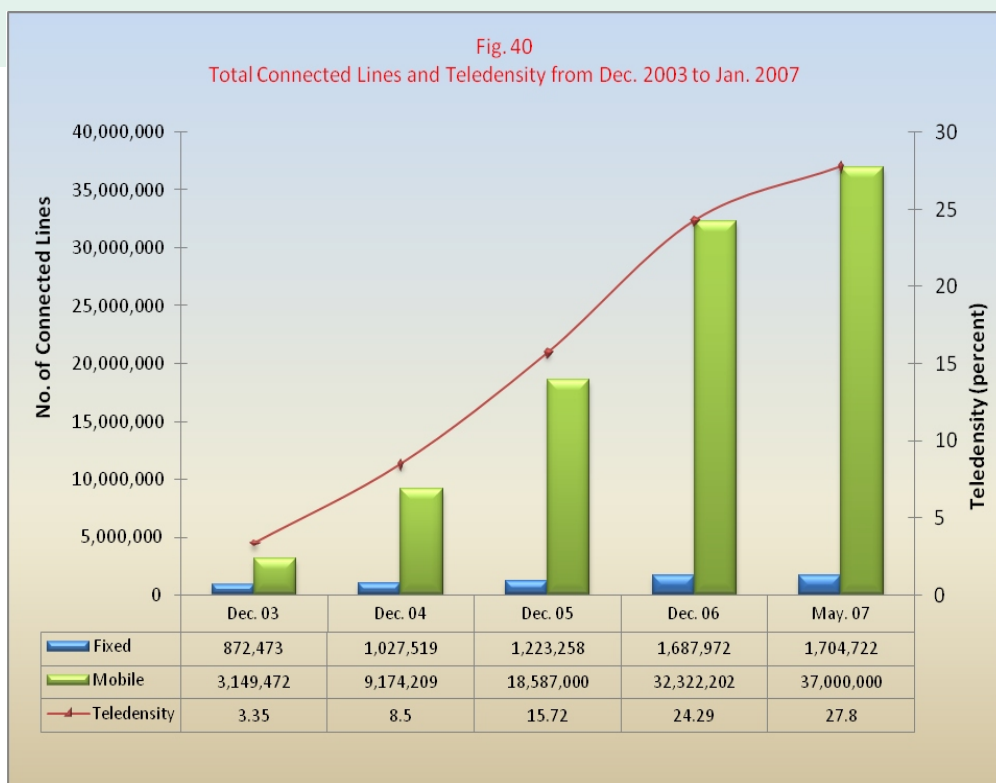
Total disbursement by the Nigeria Export Import Bank (NEXIM) to various beneficiaries was N3,490.77 million, representing an increase of 40.1 per cent over the sum disbursed in the corresponding period of 2006. Of the total amount, the sum of N2,856.07 million was disbursed under the Direct Lending Facility for export of various products in the manufacturing, oil & gas, solid minerals and services sub-sectors, while the sum of N634.7million was disbursed under the Short-term Guarantee Facility.

A sectoral breakdown of the disbursement showed that the manufacturing sub-sector received the highest amount of N1,791.7 million or 51.3 per cent of the total. The oil and gas sub-sector followed with 22.9 per cent, while services and agriculture received 13.3 and 12.5 per cent of total disbursement, respectively.



#### 3.3.9 Telecommunications

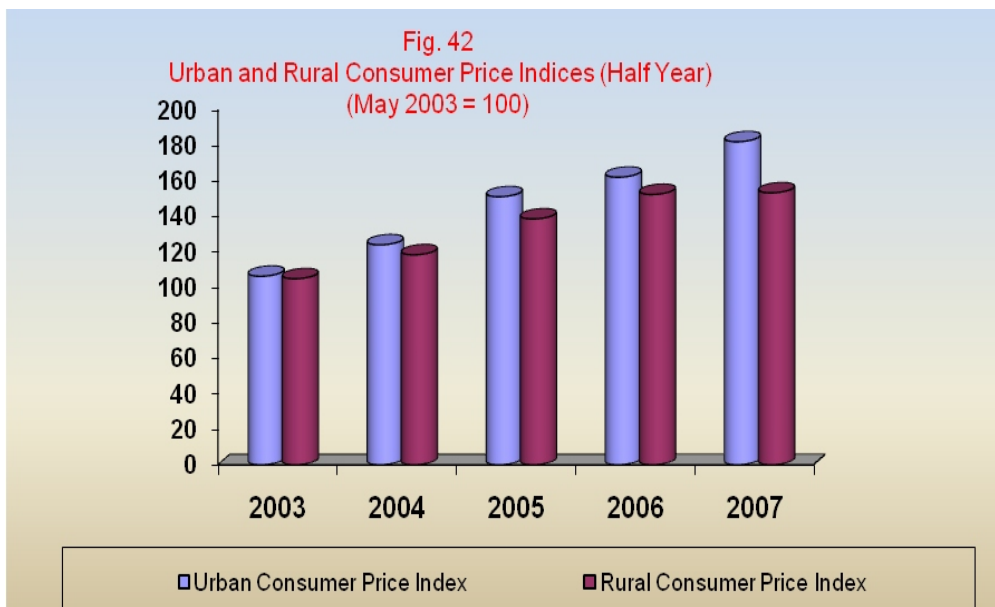
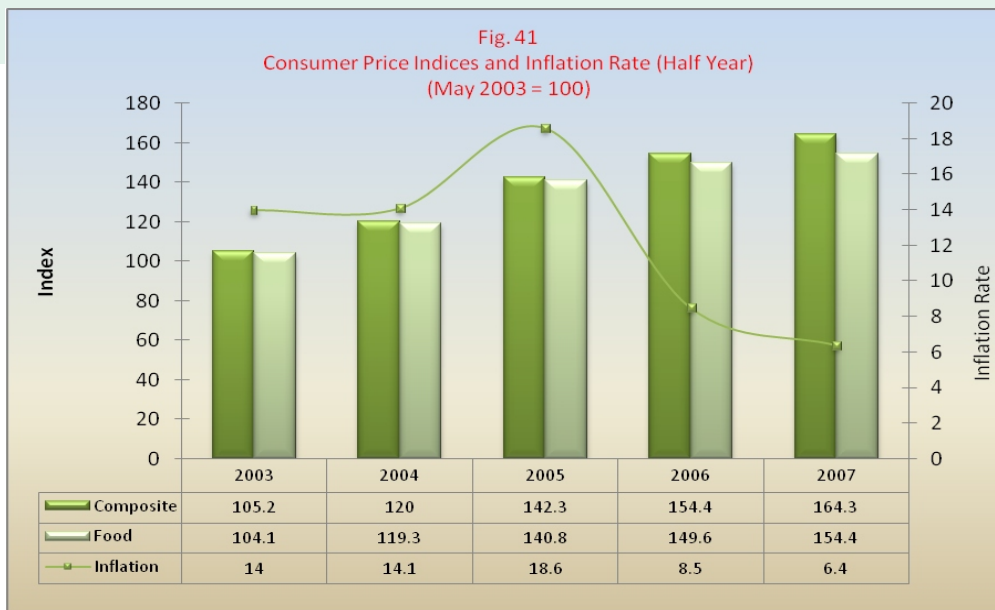
The growth observed in the telecommunications sector in 2006 was sustained. Available data from the Nigerian Communications Commission (NCC) indicated that the total number of connected telephone lines grew by 13.9 per cent, from 34.0 million lines at end-December 2006 to 38.7 million lines at end-May 2007. The teledensity consequently rose from 24.3 per 100 inhabitants in December 2006 to 27.8 per inhabitants in May 2007. As in the past five years, the growth in the sector was attributed to developments in the mobile telephone sub-sector where the number of lines increased by 14.5 per cent, from 32.3 million lines at end-December 2006 to 37.0 million lines at end-May 2007. Also, the number of fixed telephone lines increased by 3.1 per cent to 1.7 million lines at end-May 2007.



### 3.3.10 Consumer Prices

The moderation in consumer prices which began in the third quarter of 2006 was sustained, although prices inched upward towards the end of the half year. The all-item composite consumer price index (CPI) stood at 164.3 (May 2003 = 100) in June 2007, compared with 144.9 in the corresponding period of 2006. The year-on-year inflation rate fluctuated downwards, and fell to 6.4 per cent compared with 8.5 per cent at end-December 2006 and 6.4 per cent in June 2007. When compared with end-June 2006, the rate declined by 2.1 percentage points. The 12-month moving average rate of inflation also declined from 15.5 per cent in June 2006 to 5.9 per cent in June 2007. The development was attributed to the following components: food; food & non-alcoholic beverages; housing, water, electricity, gas & other fuel; furnishing, household equipment & household maintenance; transport; communication; recreation & culture; education; restaurant & hotels and miscellaneous goods & services, all of which moderated during the review period.

Data from a nation wide survey conducted by the CBN in 2007 also revealed a general downward trend in the prices of food items, relative to their levels in the corresponding period of 2006. The decline in inflationary pressure was largely attributed to the stabilization in the supply of petroleum products, large stock of agricultural products from the 2006/2007 harvest, as well as the maintenance of fiscal discipline and non-accommodating monetary policy during the period.



### 3.3.11 Industrial Relations

Industrial harmony in the first half of 2007 was hampered by nationwide strikes embarked upon by the Academic Staff Union of Universities (ASUU), the Nigerian Labour Congress (NLC) and the Trade Union Congress (TUC). ASSU's industrial action which lasted for about three months, was aimed at pressurising the Federal Government over the unpaid monetization arrears, unfulfilled agreement signed in 2001 and the non-implementation of the 15 per cent salary increase. The NLC and the TUC embarked on a nation-wide strike which lasted for four days over the 100 per cent increase in the Value Added Tax (VAT), 15.0 per cent increase in prices of petroleum products, the non-implementation of the 15.0 per cent salary increment for federal civil servants and the sale of the 55.0 per cent Federal Government interest in both the Kaduna and Port-Harcourt refineries.

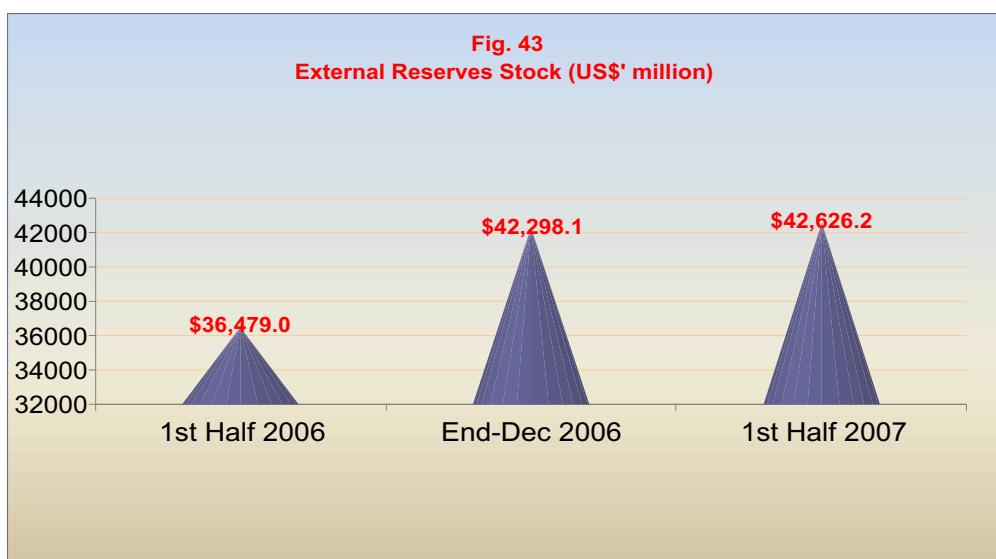
### 3.3.12 Real Sector Outlook for the Second Half of 2007

The GDP growth rate is projected to improve in the second half of 2007 relative to the first half. The optimism is anchored on expected moderation of the Niger Delta crisis, improved power supply, favourable weather conditions and improved infrastructure. The agricultural sector is projected to grow by at least 7.4 per cent in the second half of 2007. The expected continued favourable weather, government support and incentives as well as farmers' willingness to respond to such incentives will favour improved agricultural productivity. The industrial sector is expected to surpass its performance in the first half of 2007. Furthermore, the manufacturing sector is projected to grow by 5.5 per cent as the power supply situation gradually improves and other infrastructure problems addressed. In addition, crude oil production is likely to grow by 2.5 per cent in the second half of 2007 as the current moves by the government to stem the violence in the Niger Delta yields positive results.

Overall, the GDP is projected to grow by 7.0 per cent in the second half of 2007, largely driven by the non-oil sector which is expected to grow by 9.2 per cent complimented by the projected oil sector growth of 3.0 per cent.

### 3.4. External Sector Development

The performance of the external sector improved significantly in the first half of 2007. The impressive outcome was driven by the developments in the current account (CA) occasioned by huge diaspora funds from home remittances, and increased financial flows. The current account surplus increased from N2,003.3 billion in the first half of 2006 to N2,015.9 billion or 28.1 per cent of estimated gross domestic product (GDP). The deficit in the capital and financial account persistently widened from N962.9 billion in the first half of 2006 to N1,896.0 or 26.5 per cent of GDP. The deficit in the financial account reflects mainly the net claims on the rest of the world especially, short-term credit (private) in respect of oil exports. In general, financial flows increased as shown in the foreign direct and portfolio investment accounts. In the foreign exchange market under the Wholesale Dutch Auction System (WDAS), the effective exchange rate of the naira to the US dollar appreciated by 0.8 per cent to N127.94 per US dollar in the first half of 2007, while the effective central exchange rate used for the balance of payments computation was N127.1 per US dollar during the period. This could be attributed to the further liberalization of the foreign exchange market as well as the improved international confidence built by the robust external reserves. The stock of external reserves increased by 0.8 per cent to US\$42.6 billion and could finance 19.0 and 20.2 months of current foreign exchange disbursement and import commitments, respectively as against 19.4 and 23.0 months in the first half of 2006.



### 3.4.1 Balance of Payments

#### 3.4.1.1 Current Account

The current account surplus which stood at N2,003.3 billion in the first half of 2006, increased slightly by 0.6 per cent to N2,015.9 billion, in the first half of 2007. This development was traced to the huge inward transfers. However, surplus in the goods account declined from N1,704.1 billion in the corresponding period of 2006 to N1,214.5 billion. The deficit in the services account narrowed significantly from N86.8 billion in the first half of 2006 to N33.4 billion. Similarly the income account improved substantially from a deficit of N251.9 billion in the first half of 2006 to a lower deficit of N101.1 billion in the first half of 2007. The surplus in current transfers increased by 46.7 per cent to N935.8 billion, as a result of the overwhelming personal home remittances.



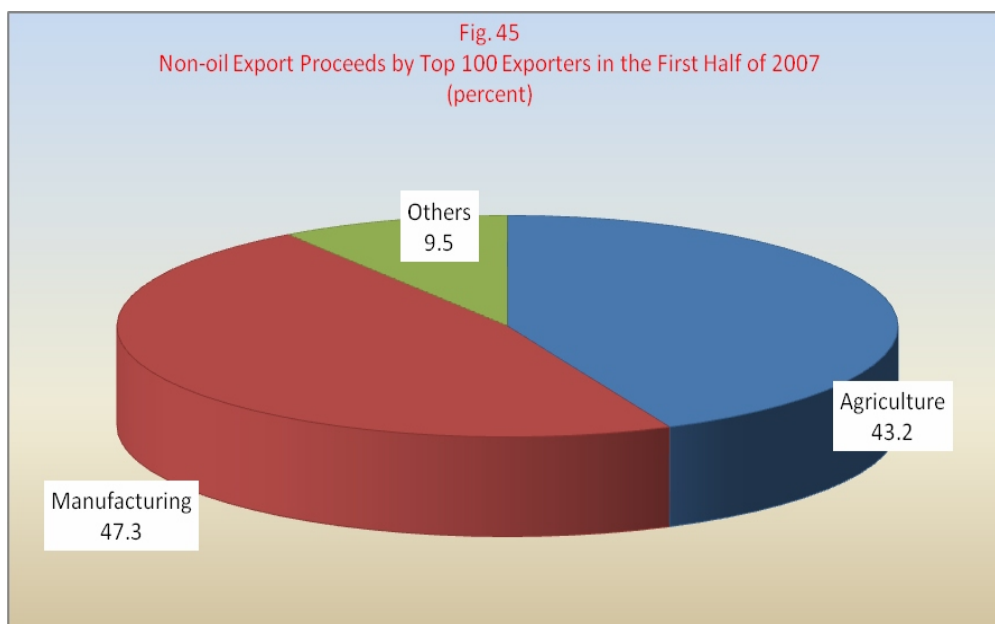
##### 3.4.1.1.1 Goods Account

Transactions on goods (trade) account decreased by 28.7 per cent to N1,214.5 billion reflecting mainly the decline in oil exports and the surge in import bills. Total exports receipt at N2,918.1 billion in the first half of 2006, decreased by 3.3 per cent to N2,822.6 billion. The oil sector component fell by 4.6 per cent to N2,737.3 billion, while the non-oil component increased to N85.3 billion from N49.9 billion in the corresponding period of 2006. The shares of the oil and non-oil components were 97.0 and 3.0 per cent, respectively.

Non-oil export proceeds by the top 100 exporters during the first half of 2007 amounted to N70.3 billion (US\$549.33 million), indicating an increase of 47.8 per cent over the level in the corresponding period of 2006. Export proceeds of the agricultural sub-sector rose from N22.6 billion (US\$176.31 million) in the corresponding period of 2006 to N30.4 billion (US\$237.58 million), while that of manufacturing fell from N37.3 billion (US\$291.38 million) in the corresponding period of 2006 to N33.2 billion (US\$259.68 million). The share of the agricultural and manufacturing sub-sectors and “others” accounted for 43.2, 47.3 and 9.5 per cent, respectively. A breakdown of the proceeds under the agricultural sub-sector showed that cocoa products



led the group with export valued at N13.0 billion (US\$101.27 million), followed by sesame seeds and cashew nuts with N5.0 billion (US\$38.75 million) and N4.6 billion (US\$35.96 million), respectively. Under the manufacturing sub-sector, leather led the group with export valued at N16.3 billion (US\$127.46 million) followed by “other” manufacturing products and aluminum with the export valued N4.9 billion (US\$38.36 million) and N3.0 billion (US\$23.22 million), respectively. The share of the top 100 exporters in total non-oil export proceeds stood at 99.7 per cent compared with 99.6 per cent in the corresponding period of 2006.



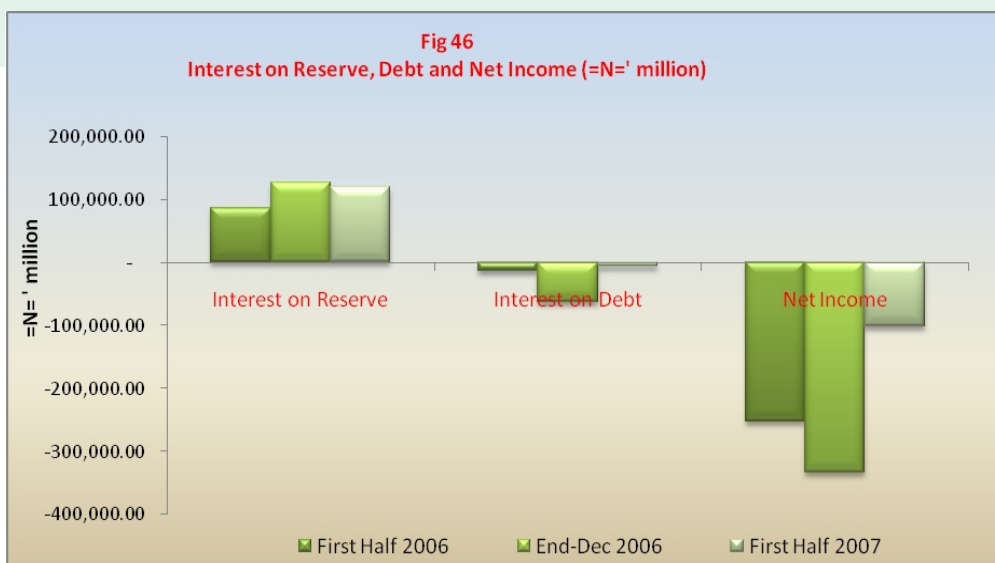
Total imports which rose by 32.5 per cent to N1,608.1 billion was accounted for by the increase of 10.6 and 36.1 per cent for both the oil and non-oil components, respectively. The rise in the total imports was traceable to the increased demand for imported raw materials for real sector production.

#### 3.4.1.1.2 Services

The deficit in the services account narrowed to N33.4 billion, from N86.8 billion in the first half of 2006. This reflected a significant improvement in all the components of the account as payments in respect of transport services, professional and technical services, as well as operational leasing services declined substantially.

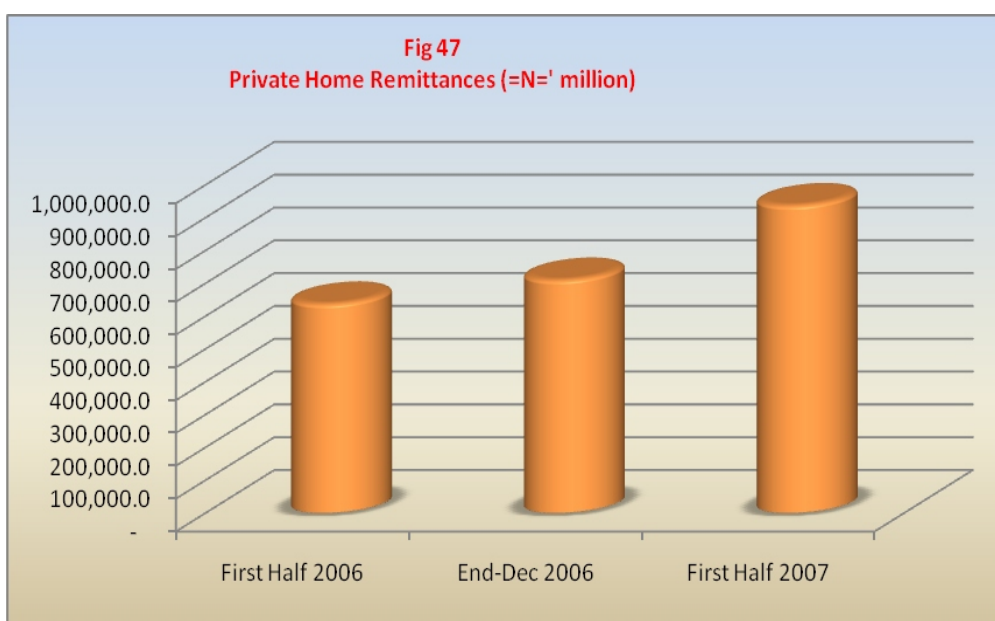
#### 3.4.1.1.3 Income

The deficit in the income account decreased by 59.9 per cent to N101.1 billion. This was due largely to low interest payments on loans which declined substantially by 54.7 per cent from the level in the first half of 2006 following the exit from the Paris Club debt. The proactive external reserve management by the CBN resulted in a substantial increase in interest on external reserves by 36.6 per cent or N119.7 billion.



### 3.4.1.1.4 Current Transfers

The surplus in the current transfers account (net) rose by 46.7 per cent to N935.8 billion and was influenced largely by private sector inflows, particularly personal home remittances (PHR). The inflows through PHR increased from N637.5 billion in the first half of 2006 to N901.4 billion.

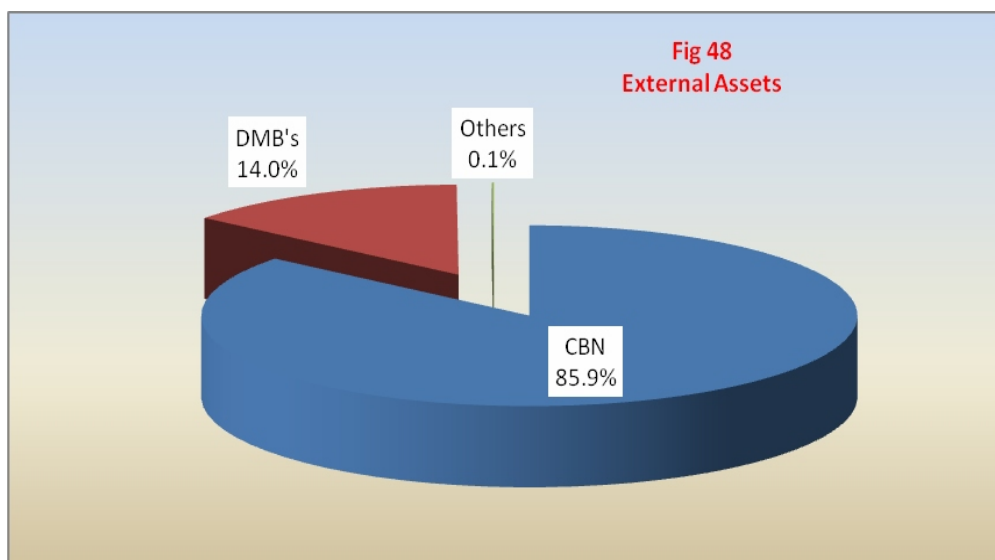


### 3.4.1.2 Capital and Financial Account

The deficit in the capital and financial account widened to N1,896.0 billion from N962.9 billion in the first half of 2006. Despite the outcome, foreign capital flows continued to increase due to the sustained macroeconomic stability in the last two years. Consequently, foreign direct investment increased by 74.7 per cent from N194.4 billion in the corresponding period of 2006 to N339.6 billion, reflecting greater confidence in the economy by foreign investors. The 'other' sector account however recorded a deficit of N2,413.1 billion as against N1,261.1 billion in the first half of 2006, reflecting increased claims on non-residents.

### 3.4.2 External Assets

Provisional data indicated that Nigeria's external assets at end-June, 2007 stood at N6,793.17 billion (US\$53.36 billion), representing an increase of 8.6 and 32.9 per cent over the levels in the preceding period and corresponding period of 2006, respectively. The development was due entirely to the increase in the net assets of Deposit Money Banks (DMBs). The CBN's holdings accounted for 85.9 per cent of the total external assets, compared with 86.9 per cent in the corresponding period of 2006. The net foreign assets of the DMBs, which stood at N954.21 billion (US\$7.5 billion) at end-June 2007, indicated a rise of 43.1 per cent over the level of N666.92 billion (US\$5.2 billion) at end-June 2006.



### 3.4.3 External Sector Outlook for the Rest of 2007

The external sector of the economy will remain strong for the rest of year 2007. As in the first half, the main drivers will be the high crude oil price, expected huge remittances especially through the seasonality effect of the Christmas holidays, and increased financial flows. The current account is projected to close at a surplus equivalent to 25.2 per cent of GDP while the deficit in the capital and financial account which is estimated at an equivalent of 23.3 per cent of GDP will widen, owing to the increase in net claims on non-residents in respect of oil exports. Based on cash flow projections, the stock of external reserves is projected at US\$45.0 billion which is expected to finance about 22.0 months of current imports commitments.

### 4.0 Developments in the World Economy

World output expanded modestly in the first half of 2007. Growth in the US economy slowed in the first quarter but regained momentum in the second quarter. Output in most other countries expanded strongly especially in the euro area, Japan and emerging market economies, led by China, India and Russia. Sub-Saharan Africa also experienced growth. In general, world output growth for 2007 is projected at 5.2 per cent in the IMF's World Economic Outlook (WEO).

Commodity prices fell in the international markets while domestic consumer prices increased in industrial countries. Sub-Saharan African growth had been attributed to natural resource price increases although the international terms of trade remain unfavourable to them.

Inflation remained generally contained despite strong global demand. However some emerging market

and developing economies faced rising inflation, especially in energy and food prices. Oil prices increased due to limited spare production capacity, while the rise in food prices was attributed to supply shortages and increased use of biofuels.

#### **4.1 World Economy Outlook for the Rest of 2007**

The growth prospects for the rest of the year are less threatening but will remain on the downside. The downward trend is derived from the sharp slowdown in the United States economy especially, if the housing sector continues to deteriorate. The US growth rate is projected at 2.2 per cent in 2007 down from 3.3 per cent in 2006.

Global trade and capital inflows are expected to constitute a major challenge to the world as they may slow down but with overall net current account surplus and higher pace of accumulation of reserves. The volatile commodity prices, an accelerated slowdown in the US economy, the depreciation of the US dollar against major currencies in the euro area as well as global warming and the non-implementation of the Doha round trade agreements pose serious challenges to developing countries.

#### **4.2 Sub-Regional Institutions**

##### **4.2.1 Economic Community of West African States (ECOWAS)**

The 31<sup>st</sup> Summit of Heads of State and Government of the Economic Community of West African States (ECOWAS) was held in Ouagadougou, Burkina Faso on January 19, 2007. The following were the major highlights of the Summit:

- The adoption of reports on the ECOWAS regional integration and cooperation programme, institutional issues, regional peace and security;
- The need for member states of the WAMZ to redouble efforts to achieve the agreed macro-economic convergence criteria in order to realize the ECOWAS monetary integration programme;
- The need for member states to take necessary measures to implement the Protocol on Free Movement of Goods and Persons, and the Right of Residence and Establishment;
- Agreement to harmonize infrastructure policy and adoption of a regional telecommunications policy and a regulatory framework covering specific areas;
- Review and acknowledgement of progress made in the construction of the West African Gas pipeline and the establishment of a Power Pool system; and
- The transformation of the Executive Secretariat into a Commission. President Blaise Compaoré of Burkina Faso was elected Chairman.

##### **4.2.2 West African Monetary Zone**

The West African Monetary Zone held its meetings in Abuja, Nigeria from May 7 -10, 2007. The meetings were attended by all member countries namely: The Gambia, Ghana, Guinea, Nigeria and Sierra Leone. Also, Liberia, WAIFEM, WAMA, WABA, BCEAO, IMF, ADB, UEMOA, AU Commission and the African Business Roundtable attended the meeting. Technical reports were presented on Quoting and Trading in WAMZ currencies, Cheque Standards and Automated Cheque system, Single Economic Space and Prosperity Agreement and Payments System Statute.

The Committee of Governors noted that member countries were on course for the December 2009 launch of the single currency, and that The Gambia and Nigeria met the four primary convergence criteria in 2006. They stressed the need to deepen institutional and structural reforms to sustain the momentum, particularly in trade liberalisation and domestication of relevant protocols.

The Convergence Council endorsed the following:

- The Fiscal Responsibility Programme as the best practice to ensure fiscal prudence by member countries.
- Enactment of WAMZ statutes into national laws.
- The Quoting and Trading of WAMZ currencies without the involvement of central banks.
- Adoption of the WAMZ Cheque Standard and the Automated Cheque Processing Standard (ACP).
- The National Sensitisation Committee to develop clear terms of reference to engage WAMZ stakeholders.

### 4.3 Regional Institutions

#### 4.3.1 African Development Bank (AfDB) Annual Meetings

The 42nd Annual (AfDB) Meetings of the Board of Governors of the African Development Bank Group and the 33rd Annual Meetings of the Board of Governors of the African Development Fund (ADF) were held from 16-17 May, 2007 in Shanghai, China. The following were the major highlights of the meetings:

- 14 new Directors were elected to replace retiring ones.
- Reaffirmation that “the headquarters of the Bank shall remain in Abidjan, Cote d'Ivoire” and extension of the temporary operations in Tunis for 12 months with effect from June 3, 2007.
- Launching of three reports: 'The African Economic Outlook 2006', 'African Competitiveness Report, 2007', and 'Consumption and Price Levels in African Countries'.
- Presentation of Bank Group's 2006 accounts which showed that the three windows of the institution earned income of US\$372.5 million, with the ADB window alone accounting for US\$291 million or 78.1 per cent. All the rating agencies reaffirmed triple AAA and AA+ rating for the Bank's senior and subordinated debt respectively.
- Observation that the outlook for Africa remained positive with 31 countries' economies growing faster than their population. Half of them achieved 5 per cent while nine others were growing above 7 per cent. Post-conflict countries like Liberia, Central African Republic, DRC and Burundi, were recovering.
- The Bank signed an agreement worth US\$497,528 with Sao Tome and Principe, as well as Burkina Faso for 88,859,888 Yen to support poverty reduction efforts.

The African Development Bank (AfDB) launched its first Naira (NGN) denominated bond in January 2007, valued at NGN 12,780 million (U.S. \$100million) and maturing in one year. The bond with coupon rate of 9.25 per cent, is the first naira-denominated note issued by a supranational corporation. It is also AfDB's largest issue denominated in a local currency to date and its first issue was with an African-based lead manager Standard Bank, Africa's largest bank by equity capital.

#### 4.3.2 The Association of African Central Banks (AACB)

The Bureau of the Association of African Central Banks (AACB) held its ordinary meeting on February 23, 2007 in Dakar, Senegal.

The following were the major decisions taken at the meeting:

- The African Union (AU) was urged to outline the specific role of the Association in the process of establishing its pan-African financial institutions. Progress so far made by AACB sub-regions in realizing the African Monetary Cooperation Programme (AMCP) in 2006 was noted.
- The Executive Secretariat was requested to submit at the next ordinary meeting, terms of reference for the feasibility of an official yearbook on African Banks and sub-regional and continental stock exchanges. This was to promote African banking networks as well as regional and continental stock exchanges as required by Stage II of the AMCP.
- The harmonization of concepts, methodologies and statistical frameworks, in respect of agreed macroeconomic criteria as follows:
  - Debt/GDP ratio: This ratio should apply in all the AMCP sub-regions as a criterion for monetary integration.
  - Inflation rate: Headline inflation rate should be used.
  - Public finance aggregates: The consolidated transactions of the general government should be reflected in the public finance statistics before 2009. The compilation should follow 2001 GFS Manual of the IMF.
  - Index of the Real Effective Exchange Rates: For the agreed exchange rate mechanism expected at Stage IV (2013-2015) of the AMCP, members should compile, in addition to RER, the REER for African national currencies in proportion to the international currencies the Assembly of Governors would select.
  - Positive real interest rates: Further study should be conducted by concerned members on how to maintain positive real interest rates.

#### 4.3.3 The United Nations Economic Commission for Africa (UNECA)

The 40<sup>th</sup> Session of the United Nations Economic Commission for Africa (UNECA) Conference of Ministers of Finance, Planning and Economic Development was held in Addis Ababa, Ethiopia from 2<sup>nd</sup> - 3<sup>rd</sup> April, 2007. The theme of the Conference was “Accelerating Africa's Growth and Development to meet the Millennium Development Goals (MDGs); Emerging Challenges and the Way Forward”. The Ministers agreed on the following action plan:

- Align national development strategies and medium-term expenditure frameworks with the MDGs and other internationally agreed goals and introduce monitoring mechanisms by end 2008.
- Channel additional resources from debt relief, exploitation of natural resources and other sources towards meeting the goals.
- Promote micro finance institutions, harness remittances, and improve the investment and business environment to attract increased FDI.
- Mainstream gender in development programmes. Invest in the provision of water, energy, education, health and reduce violence against women.
- Launch the African Green Revolution by end 2008 to raise agricultural productivity of small holder farmers. Improve the provision of fertilizer, improved seeds, and rural infrastructure and promote inter-African trade.
- Improve availability, timeliness and quality of data through compliance with international standards.
- Request the UN and international financial institutions to assist African governments in preparing and implementing MDG-based comprehensive national development strategies and Quick Impact Initiatives

#### **4.4 Global Institutions**

##### **4.4.1 World Economic Forum Annual Meeting**

The World Economic Forum (WEF) Annual Meetings was held in Davos, Switzerland from January 24 28, 2007. The theme of the meeting was 'Shaping the Global Agenda: The Shifting Power Equation'. The following were the major outcomes of the meeting:

- Reaffirmed support for the 'Partnering Against Corruption Initiative' (PACI) by the heads of the multilateral banks.
- Release of the final report by the WEF on the two-year public-private review of the international monetary system in cooperation with G20 governments.
- Agreement among four global accounting firms to work with the PACI to support the fight against corruption.
- Creation of an alliance of leading companies to bring power to villages in sub-Saharan Africa.
- Decision by 30 trade ministers to restart the Doha Round of global trade negotiations at the sub-ministerial level.

#### **4.4.2 Spring Meetings of the Inter-governmental Group of Twenty-four (G-24) and the Boards of Governors of the International Monetary Fund (IMF) and the World Bank Group**

The Spring Meetings of the Inter-Governmental Group of Twenty-Four (G-24) on International Monetary Affairs and Developments, the International Monetary Fund (IMF) and the World Bank (WB) took place in Washington D.C. USA from 12<sup>th</sup> - 15<sup>th</sup> April, 2007. The Nigerian delegation to the meetings was led by the Honourable Minister of Finance, Mrs. Nenadi Usman. The meeting considered Voice and Representation of Developing Countries, the 1977 Decision on Surveillance, Scaling up of Aid, Clean Energy and Climate Change, Governance and Anti-Corruption.

#### **4.4.3 The International Monetary and Financial Committee (IMFC)**

The fifteenth meeting of the International Monetary and Financial Committee was held on April 14, 2007. The Committee welcomed the continued strong, broad-based expansion of the global economy and continued focus on IMF surveillance. It agreed that an orderly unwinding of global imbalances over the medium term and continued robust growth in low-income countries will accelerate progress towards achieving the Millennium Development Goals. Also it called on the World Trade Organisation (WTO) members to work with renewed commitment to urgently achieve the ambitious outcomes expected from the Doha Rounds.

#### **4.4.4 G7/8 Finance Ministers**

The G7/8 Finance Ministers met on May 19, 2007 to discuss global economic issues in preparation for the Summit of the G8 Heads of State and Government. The following were the highlights of the meeting:

- Global growth remained robust and was more balanced across regions and within countries, but high and volatile energy prices remained a concern.
- All participants had the responsibility to ensure a successful outcome of the Doha Development Round. They remained committed against protectionism but supported 'Aid for Trade' to secure the full benefits of trade for developing countries.
- Good Financial Governance in Africa would help achieve the Millennium Development Goals. Debt sustainability framework and a charter for responsible lending were also agreed upon.
- The appreciation of the Financial Stability Forum's (FSF) update of its 2000 Report on Highly Leveraged Institutions and support of its recommendations. A call that the global hedge fund industry should review and enhance existing sound practices and benchmarks for hedge fund managers, especially in the areas of risk management, valuations and disclosure to counterparties.
- A review of renewable, nuclear, and clean coal technologies in order to ensure energy security and to address climate change.
- An expression of commitment to fighting money laundering, terrorism financing and other illicit financing that threatened the stability and integrity of financial markets. A call on the Financial Action Task Force (FATF) to examine the risks involved in weapons of mass destruction proliferation finance.



#### 4.4.5 G8 Summit

The 33<sup>rd</sup> G8 Summit took place in Heiligendamm, Germany from June 6 -8, 2007. It was attended by several world leaders including Canada, France, Germany, Italy, Japan, Russia, United Kingdom, United States, European Union, Brazil, India, Mexico, China, South African and Nigeria. The following were the major outcomes of the Summit:

- In a non-binding communiqué, it was announced that the G8 nations would 'aim to at least halve global carbon-dioxide (CO<sub>2</sub>) emissions which causes global warming by 2050. The G8 also announced their desire to use the proceeds from the auction of emission rights and other financial tools to support climate protection projects in developing countries.
- Chancellor Angela Merkel of Germany announced the establishment of the “Heiligendamm Process” through which the full institutionalization of the permanent dialogue between the G8 countries and the 5 greatest emerging economies would be implemented.
- G8 leaders promised to honour their commitments to Africa by providing a total of US\$60 billion to combat HIV/AIDS, malaria and tuberculosis, while African governments agreed to fulfil their commitments to democracy and good governance.

### 4.5 BILATERAL RELATIONS

#### 4.5.1 4<sup>th</sup> Session of the Nigeria/Korean Joint Commission

The 4<sup>th</sup> Session of the Nigeria/Korea Joint Commission was held in Seoul, Republic of Korea from January 23 - 25, 2007. Nigeria exchanged the requirements for the establishment of banks with their Korean counterparts at the meeting. Also, the government of Nigeria agreed to grant productive oil blocs to the Korean National Oil Corporation on the condition that a Korean consortium would finance power generation projects and modernise the Nigerian Rail System. A Memorandum of Understanding was signed between the two countries. Also, a Korean company, POSCO E&C agreed to construct two thermal power stations in Nigeria to be located in Abuja and Kaduna, respectively.

### 4.6 International Commodity Organizations

#### 4.6.1 International Cocoa Organisation (ICCO)

The Consultative Board meeting on the World Cocoa Economy was held on Monday, 4<sup>th</sup> June, 2007, while the Executive Committee Meeting of the International Cocoa Organisation (ICCO) took place from 5<sup>th</sup> - 7<sup>th</sup> June, 2007 in London. The following were the highlights of the meetings.

- The Draft Administrative Budget of GBP2,037,230 for the year 2007/2008 was considered and accepted. Outstanding contributions of members to the Organization's 2006/2007 Administrative Budgets amounted to GBP126,687 out of an expected amount of GBP1,836,314.
- The International Cocoa Agreement, 2001 was to expire on 30th September, 2008. The Agreement foresaw two extensions of two years each, possibly extending the current Agreement until the end of September 2012. It was decided that the Executive Committee should set up a sub-committee by September, 2007 of all qualified members to review the International Cocoa Agreement.

- The appointment of a new Executive Director was deferred to a later date while the issue of relocation was also deferred to the Consultative Meeting in London in September 2007.
- The distribution of votes and a statement of voting rights among members of the Executive Committee were done in accordance with the provision of Article 17 of the International Cocoa Agreement, 2001. Nigeria's eighty eight (88) voting rights were however suspended because Nigeria breached Article 26 of the ICCO Agreement 2001, on financial contribution to the ICCO Administrative budget, having defaulted to pay for the year 2006/2007 within the stipulated period.

#### **4.7 Outlook for the Rest of the Year**

Although global economic growth may moderate in the second half of 2007, the domestic economy is expected to improve on the growth recorded in the first half as a result of re-focussed attention on the development of infrastructure especially electricity and the rehabilitation of refineries which will boost domestic petroleum output. Nigeria's successful completion of the PSI programme and the intension to agree on new surveillance framework built around the seven point agenda of the President and the Vision 2020 will further endear Nigeria to the international community. The country's rating will continue to improve following strong macroeconomic fundamentals and the sustained fight against corruption and leakages from the economy.