CENTRAL BANK OF NIGERIA

UNDERSTANDING
MONETARY POLICY SERIES
NO 10

NIGERIA'S ENGAGEMENT WITH BRETTON WOODS INSTITUTIONS

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Aims and Scope

Understanding Monetary Policy Series are designed to improve monetary policy communication as well as economic literacy. The series attempt to bring the technical aspects of monetary policy closer to the critical stakeholders who may not have had formal training in Monetary Management. The contents of the publication are therefore, intended for general information only. While necessary care was taken to ensure the inclusion of information in the publication to aid proper understanding of the monetary policy process and concepts, the Bank would not be liable for the interpretation or application of any piece of information contained herein.

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Central Bank of Nigeria

Mandate

▪Ensure Monetary and Price Stability
▪Issue Legal Tender Currency in Nigeria
▪Maintain External Reserves to safeguard the international value of the Legal Tender Currency
▪Promote a Sound Financial System in Nigeria
▪Act as Banker and Provide Economic and Financial Advice to the Federal Government

Vision

"By 2015, be the Model Central Bank delivering Price and Financial System Stability and promoting Sustainable Economic Development"

Mission Statement

"To be proactive in providing a stable framework for the economic development of Nigeria through the effective, efficient and transparent implementation of monetary and exchange rate policy and management of the financial sector"

Core Values

- Meritocracy
- Leadership
- Learning
- Customer - Focus

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SECTION ONE

Introduction

Bretton Woods Institutions named after the remote village in New Hampshire, U.S.A., where they were founded by the delegates of 44 nations in July 1944, the World Bank and the International Monetary Fund (IMF) are twin intergovernmental pillars supporting the structure of the world's economic and financial order. Superficially, the Bank and IMF have many common characteristics. They are in a sense owned and directed by the governments of member nations and virtually every country on earth is a member of both institutions. Both institutions concern themselves with economic issues and concentrate their efforts on broadening and strengthening the economies of their member nations.

The World Bank aims at encouraging poor countries to develop by providing the requisite technical assistance and funding for projects and policies that will help realise the countries' economic potential. The Bank views development as a long-term, integrated endeavour. In the first two decades of its existence, two thirds of its assistance went to electric power and transportation projects. Although, the so-called infrastructural projects remain important, the Bank has diversified its activities in recent years as it has gained experience and acquired new insights into the development process. In particular, attention is given to projects that can directly benefit the poorest people in developing countries. This is promoted through lending for agriculture production and rural development, small-scale enterprises, and urban development. In addition, the Bank supports the poor to gain access to such necessities as safe water and waste-disposal facilities, health care, family-planning nutrition, education, and housing.

The Bank's approaches to supporting infrastructure projects have also been modified. In transportation projects, greater attention is given to constructing farm-to-market roads. Rather than concentrating on cities, power projects are increasingly carried out in villages and small farms to provide lighting and power. Industrial projects place greater emphasis on creating jobs in small enterprises, while the use of labour-intensive construction encouraged. Other areas of the Bank's support include the development of oil, gas, coal, fuel wood, and biomass as alternative sources of energy.

The IMF has gone through two distinct phases in its 50-year history. In the first phase, which ended in 1973, the IMF oversaw the adoption of general convertibility among the major currencies, supervised a system of fixed exchange rates tied to the value of gold, and provided short-term financing to countries in need of a quick infusion of foreign exchange to keep their currencies at par value or to adjust to changing economic circumstances. Difficulties encountered in maintaining a system of fixed exchange rates gave rise to unstable monetary and financial conditions throughout the world and led the international community to reconsider how the IMF could most effectively function in a regime of flexible exchange rates.

After five years of analysis and negotiation (1973-78), the IMF's second phase began with the amendment of its constitution in 1978, broadening its functions to enable it to grapple with the new challenges since the collapse of the par value system. First, the IMF continued to urge its members to allow their national currencies to be exchanged without restriction for the currencies of other member countries. As at May 1996, 115 members had agreed to full convertibility of their national currencies. Second, in place of monitoring members' compliance with their obligations in a fixed exchange system, the IMF supervises economic policies that influence their balance of payments in the presently legalised flexible exchange rate environment.

The functions of the International Financial Institutions (IFIs) were expanded to include markets and financial sector development as well as policy support. This was based on the notion that the slow growth of developing countries was caused largely by capital inadequacy and unsuitable policies. The oil price shocks of late 1970 resulted in Balance of Payment (BOP) problems for several developing countries. This led to the introduction of IFIs supported programmes and policies on economic growth for countries such as Nigeria. The programmes are either technical support for capacity building in economic and social development or conditional lending. Implementation of these programmes sometimes comes with enormous challenges as exemplified in Nigeria, in 1986 during the period of Structural Adjustment Programmes (SAP).

Although the World Bank and IMF are distinct entities, they work together in close cooperation. This cooperation, present since their founding, has become more pronounced since the 1970s. Since then the Bank's activities have increasingly reflected the realisation that the pace of economic and social development accelerates only when sound underlying financial and economic policies are in place.

The IMF has also recognised that unsound financial and economic policies are often deeply rooted in long-term inefficient use of resources that resists eradication through short-term adaptations of financial policies. It does little good for the Bank to develop a long-term irrigation project to assist, say, the export of cotton, if the country's balance of payments position is so chaotic that no foreign buyers will deal with the country. On the other hand, it does little good for the IMF to help establish a sound exchange rate for a country's currency, unless the production of cotton for export will suffice to sustain that exchange rate over the medium to long-term. The key to solving these problems is seen in restructuring economic sectors, so that the economic potential of projects might be realised throughout the economy and the stability of the economy might enhance the effectiveness of the individual project.

SECTION TWO

Identification of Bretton Woods Institutions (BWIs), their Facilities and Programmes

2.1 What are the Bretton Woods Institutions?

The Bretton Woods Institutions are the World Bank and International Monetary Fund (IMF). They are often described as the "sister institutions" of the United Nations. The two institutions were founded at the United Nations Monetary Conference held at Bretton Woods, New Hampshire, in 1944. They were created to promote reconstruction following the devastation of the Second World War and to establish the basis for a stable world monetary system that would sustain growth and prosperity. Together, they are informally known as the Bretton Woods Institutions (BWIs).

The World Bank and IMF have played very important roles in shaping macroeconomic policies in many countries. The two institutions have been able to influence the economies of developing countries through loans and grants.

2.1.1 What do they represent?

The World Bank and IMF were established to perform distinct roles and these have witnessed some modifications over time. The World Bank's core task is mainly long-term development assistance and poverty eradication. The Bank's loans are used to finance infrastructural projects of a particular sector of the economy as well as broader structural reforms. The IMF's core task is to promote international monetary cooperation through surveillance and lending to countries with short-term balance of payments difficulties as well as ensuring macroeconomic and financial sector stability. The Fund's work overlaps heavily with that of the World Bank in three areas. First, both institutions are involved in managing financial crisis. For example, during the financial crises in the South East Asia and Latin America in the late 1990s, the Fund took the lead, while the World Bank played a supportive role. Second, lending for development to the poor and war-torn countries remained a key area of interest. Finally, both institutions have been involved in transition economies, such as Russia and other countries of the former Soviet Union, amongst others, where they helped to foster transition from centrally planned to market economies. Overall, their complementary mandates contribute to sustainable economic growth and reduction of poverty, globally.

2.2 The International Monetary Fund (IMF)

The IMF was conceived in July 1944, when representatives of 44 governments meeting in Bretton Woods, New Hampshire, in the United States, agreed on a framework for international economic cooperation. They believed that such a framework was necessary to avoid a repetition of the disastrous economic policies that had contributed to the Great Depression of the 1930s. Although the 1944 conference resolved to set up the Fund, it actually came into existence on December 27, 1945, the inaugural meeting of the Board of Governors took place in Savannah, Georgia, USA on March 8, 1946 and by the March 1, 1947, it commenced operations.

The IMF, also known as the "Fund" is the world's central organisation for international monetary cooperation in which almost all countries in the world work together to promote financial system soundness. In particular, the IMF's primary purpose is to ensure the stability of the international monetary system—the system of exchange rates and international payments that enables countries to transact with one another. Following the recent global financial crisis, the Fund mandate has been modified to cover the full range of macroeconomic and financial sector issues that bear on global economic stability.

2.2.1 Rationale for its Establishment

The Great Depression of the 1930s brought untold hardship and forced every country to abandon the gold standard. In an attempt to shore up their failing economies, countries adopted purely nationalistic policies imposing trade restrictions, exchange controls and exchange rate depreciation in order to encourage exports and curtail citizens' freedom to buy goods abroad in order to hold foreign exchange. This further brought remarkable decline in world trade and global prosperity. It was against this background, that the Bretton Woods conference took place at New Hampshire, USA in July 1944.

Seeking to restore order to international monetary cooperation/relations, the IMF's founders planned an institution charged with overseeing the international monetary system to ensure exchange rate stability and encouraging member countries to eliminate exchange rate restrictions that hinder trade.

The IMF is a voluntary and cooperative institution. The rules of the institution, contained in the IMF's Articles of Agreement signed by all members, constitute a code of conduct. The code requires members to allow their currency to be exchanged for foreign currencies freely and without restriction. Members are required to inform the IMF of changes they intend or contemplate in financial and monetary policies that will affect fellow members' economies. In return, the

IMF would advice on the need to modify such policies if necessary so as to accommodate the entire membership. The IMF administers a pool of resources from which members can benefit when they are facing macroeconomic challenges.

The IMF is not, however, primarily a lending institution like the World Bank. It is first and foremost, an overseer of its members' monetary and exchange rate policies. The Fund is philosophically committed to the orderly and stable growth of the world economy. It receives frequent reports on members' economic policies and prospects, which it debates, comments on, and communicates to the entire membership so that other members may respond in full knowledge of the facts and a clear understanding of how their own domestic policies may affect other countries.

2.2.2 Qualification for Accessing Facilities

IMF lending in support of adjustment programme is conditional on the country undertaking certain agreed policy measures. These include:

- Commitment to implementing specific policies and measures aimed at resolving balance of payments problems, as stipulated in the arrangement between the IMF and borrowing country. Adherence to the commitments is used as performance benchmarks

- Formulation of an economic programme which underlies the arrangement is done by the country, in consultation with the IMF.

2.2.3 IMF Services to Nigeria and Other Member Countries

The IMF provides loans under a variety of "facilities" that have evolved over the years to meet the needs of its members. The duration, repayments terms, and lending conditions attached to facilities vary, reflecting the types of macroeconomic challenges faced by member countries. However, most of the IMF's lending falls into the following six categories. These include: Stand-By Arrangements (SBA), Extended Fund Facility (EFF), Poverty Reduction and Growth Facility (PRGF), Exogenous Shock Facility (ESF) and Special Drawing Rights (SDR).

Besides these facilities, the Fund also provides a number of support programmes and policy initiatives to member countries including Nigeria. These programmes fall into four broad categories: 1) policy advice, 2) technical assistance, 3) training and, 4) financial support for policies and programmes.

1. **The Medium-Term Strategy (MTS):** The MTS is a blueprint aimed at adapting the institution to the demands of 21st century globalisation. It

contains a component focused on capacity-building and technical assistance. The MTS recognises the crucial role that technical assistance plays in surveillance and the design of IMF lending programmes, as well as helping to rebuild and strengthen institutions in post-conflict countries. However, the MTS also recognises the need to better define the priorities for technical assistance as it underlines the importance of strengthening the role of recipient countries in designing and implementing technical assistance programmes.

2. **Poverty Reduction Strategy Papers (PRSPs):** The PRSPs are prepared by member countries through a participatory process involving domestic stakeholders as well as development partners, including the World Bank and International Monetary Fund. Nigeria's Poverty Reduction Strategy focuses on rapid and sustainable non-oil growth and poverty reduction. The National Economic Empowerment and Development Strategy (NEEDS) was Nigeria's home-grown poverty reduction strategy and medium – term strategy (2003 -2007). This programme was derived from the country's long-term goals of poverty reduction, wealth creation, employment generation and value re-orientation. Updates to the programme were intended at describing the country's macroeconomic, structural, and social policies in support of growth and poverty reduction, as well as associated external financing needs and major sources of financing.

3. **Policy Support Instrument (PSI):** Policy Support are those assistance that the IMF gives to low-income countries that do not want or need the Fund's financial assistance but seek to consolidate their economic performance. This initiative was introduced in 2005 to support low income countries. It was meant to give the country an upper hand in the decision making process as it was voluntary and demand driven.

4. Specifically, on October 17, 2005, the IMF approved PSI for Nigeria. It was a two-year programme aimed at complementing the NEEDS which focused on rapid and sustainable non-oil growth and poverty reduction. PSI also sends signal to donors, Multilateral Development Banks (MDBs), and financial markets that the country's economic framework is sound and, is intended to pave way for debt cancellation, aid, grants, and better financing terms in capital markets. Members' performance under a PSI is normally reviewed semi-annually, irrespective of the status of the programme.

5. **Surveillance Activities:** The IMF identifies risks to global and financial stability through the surveillance of national, regional and global economic developments. Article IV of the IMF Articles of Agreement requires the Fund to undertake regular consultations with each member country on economic conditions and policies. The article commits each member country to pursue policies conducive to the stability of the international monetary system, and global growth and prosperity. Through its consultations, the IMF identifies policy strength and weaknesses and provides advice to members on any necessary corrective measures. Following these consultations, members of staff prepare a report for considerations by the IMF's Executive Board. In majority of cases, the staff report is published, along with a summary of Executive Directors' view as expressed during the Board's discussion.

6. **Structural Adjustment Programme (SAP):** This was set up by the IMF in March 1986 with a broad objective of helping countries restore and maintain payments viability, while changing the structure of economic activity to achieve high and sustainable rates of economic growth. Under this programme, the concessional resources enable borrowing nations to pursue bolder and longer term reforms that are needed, and the resources available under this facility are highly concessional. In order to reverse the worsening economic fortunes as a result of the collapse of oil price and petroleum output, Nigeria adopted SAP in June 1986 with emphasis on expenditure reducing and expenditure switching policies as well as using the private sector as the engine of economic growth via commercialisation and privatisation of government-owned enterprises.

7. **Technical Assistance (TA) Projects:** Technical assistance is meant to boost and update the operations of member Nation's economic institutions to ensure a better working economy by offering high quality, typical and effective technical assistance and support. It also helps in training of staff and designing economic policies necessary for sound macroeconomic and structural policy reforms.

   Following the banking consolidation, the Fund helped to strengthen the CBN's legal powers to close insolvent banks and advanced the legal processes for establishing Asset Management Corporation of Nigeria (AMCON) to minimize the costs of liquidation. The TA specifically designed a programme to effectively supervise the consolidation of banks.

   The Fund also extends technical assistance projects to Nigeria Financial Intelligence Unit (NFIU). The project was aimed at strengthening Anti-

Money Laundering/Combating the Financing of Terrorism (AML/CFT) supervision in the financial and non-financial sectors; and enhancing the effectiveness and efficiency of the NFIU as well as the conduct of AML/CFT risk assessment in Nigeria.

2.2.4 Nigeria's Membership

Currently, the IMF has its headquarters in Washington D. C. and comprises 188 member nations. Nigeria joined The Fund in 1962, the Federal Minister of Finance and the Governor of the Central Bank of Nigeria (CBN) are designated as Nigeria's Governor and Alternate Governor, respectively, on the IMF Board of Governors.

2.2.5 Nigeria's Quota and Voting Right

On joining the IMF, each member country contributes a certain sum of money called a quota subscription, as a sort of membership fee. These quotas are, however, reviewed every five years and can be lowered or raised according to the needs of the IMF and economic prosperity of the member. Members' voting power is directly related to the amount of money they contribute to the IMF through their quotas such that those who contribute most to the institution are given the strongest voice in determining its policies.

At the inception of the Fund, Nigeria was assigned an initial quota of SDR 50 million, equivalent to 0.34 per cent of total membership quotas. The amount was increased to SDR 135 million (0.47 per cent of the total in 1970) and, during the Sixth General Review of the IMF quotas in 1974, the amount was further increased to SDR 360 million (0.97 per cent of the total) with effect from 1978. By the end of 1997, Nigeria's quota had reached SDR 1,281.60 million and rose further to SDR 1,753.20 million by the end of 2005. The amount has remained the same up to the end of 2008. Nigeria had not drawn on any Stand-by-Arrangement with the IMF since 1986.

2.3 The World Bank (World Bank Group)

The World Bank was created at Bretton Woods in 1944 to lend to European countries primarily with the aim of rebuilding their economies after the Second World War and the great depression of the 1930's. It was the world's first multilateral development bank, and was funded through the sale of bonds. The World Bank is an international financial institution that provides financial and technical assistance to member countries for developmental programmes. Its decisions are guided by a commitment to promote foreign investment, international trade and long-term finance.

2.3.1 Purpose of the World Bank (WB)

The World Bank provides low-interest loans, interest-free credits and grants to member countries. Its loans are usually invested in education, health and infrastructure among others. The loans can also be used to modernise a country's financial sector, agriculture and natural resources management. The Bank's seeks to promote sustainable global economic growth and poverty reduction among member countries.

To achieve these goals, the Bank focuses on six major areas:

1. Strives towards poverty reduction by spurring growth in the poor countries;
2. Helps to prevent conflict and support reconstruction programmes in post-conflict and fragile States;
3. Provides targeted/specific programmes to help middle-income countries overcome problems that could throw them back into poverty;
4. Spurs governments to act on climate change adaptation and mitigation programmes and control communicable diseases especially HIV/AIDS and malaria;
5. Works with the League of Arab States to improve girl-child education, builds infrastructure and provides micro-loans to small businesses in other member countries; and
6. Shares its expertise and knowledge with member countries through technical assistance, reports and interactive online database among others.

2.3.2 Nigeria's Membership of the World Bank

The World Bank consists of two development institutions - the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) owned by 188 member countries as at 2012. The Bank is closely affiliated with three other organisations --the International Finance Corporation (IFC), the Multilateral Guarantee Agency (MIGA), and the International Centre for the Settlement of Investment Disputes (ICSID) -- that support its goal of reducing worldwide poverty. The five organisations make up the World Bank Group. The Group's facilities to members include: Investment and Development Policy Operations; Banking Products; Trust Funds and Grants; Guarantee; and Non-Lending Facilities. Its research, analytical and technical capabilities, is vital part of the Bank's contribution to knowledge and development.

2.3.3 Programmes and Facilities of the World Bank Group to Nigeria's Development

- **IFC – Private Sector Finance and Assistance in Nigeria**

The IFC has over the years financed some private sector activities in Nigeria some of which include: **Obajana Cement Plc** (Manufacturing) in 2003**; MTN Nigeria Communications Limited** (Telecommunications) in 2003; **Microcred Microfinance Bank Nigeria Limited** (Small & Medium Enterprises) in 2011; **Guaranty Trust Bank and First Bank of Nigeria Plc** (Deposit Money Banks) in 2010.

- **Country Assistance Strategy (CAS), 2005 - 2011**

The World Bank prepares CAS for active borrowers from the International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD). The CAS is developed in consultation with country authorities, civil society organisations, development partners, and other stakeholders. The purpose of the CAS is to set out a selective programme of Bank Group support linked to the country's development strategy based on comparative advantage in the context of other donor agencies. For Nigeria, the donor country partnership includes the World Bank Group, Department for International Development (DFID), United States Agency for International Development (USAID), and the African Development Bank (AfDB).

Over 80 per cent of Nigeria's development assistance is obtained from Country Partnership Strategy (CPS). Nigeria benefited from CPS I (2005-09) which was particularly among the World Bank Group and Department for International Development (DFID) and the on-going CPS II spanning 2010-13 aimed at making quality governance an integral part of virtually every form of support.

- **Technical Assistance (TA)**

Technical assistance is one of the benefits of World Bank Group to its members. Through this assistance, the Group assists member countries in building accountable, efficient public sector institutions, institutional development plans, country-level strategies, and reforms. In addition to the above, the Group provides lending services, advisory services, information and training to member countries so as to deliver on sustainable economic and social improvements. Nigeria is a recipient of technical assistance instruments in the areas of the Private Support Project; Micro Small and Medium Enterprises (MSME) Project, and Economic Management Capacity Building Project (EMCAP).

- **The International Development Association (IDA) Support Projects/Schemes, 2004 - 2011**

IDA is a part of the World Bank Group that helps the world's poorest countries. It complements the World Bank's other lending arm known as the International Bank for Reconstruction and Development (IBRD) which serves middle-income countries with capital investment and advisory services. IDA activities in the country spanned a period of 14 years from 1999 to 2012. Its contribution in Nigeria is in collaboration with other development partners, such DFID, USAID, and AfDB. As at March, 2011, Nigeria was among the top five (5) IDA recipients. Its lending portfolio in Nigeria consists of twenty five (25) active projects with total commitments of US$3.93 billion in various sectors including agriculture, rural development, education, energy, health, social protection, private sector development and public sector governance.

- **Multilateral Investment Guarantee Agency (MIGA)**

MIGA is the arm of the World Bank Group that helps (foreign) investors and lenders to deal with risks in the local environment by insuring eligible projects in the host member country against losses relating to:

i. Currency inconvertibility & transfer restrictions;
ii. Expropriation;
iii. War and civil disturbance;
iv. Breach of contract; and
v. Non-honoring of sovereign financial obligations.

Between 2002 and May 2011, MIGA has guaranteed 13 projects in Nigeria amounting to $366.55 million, of which 6 projects ($148.41m) are active, 6 projects ($205.94m) are on-active, and 1 project ($12.2m) was proposed.

- **The International Centre for Settlement of Investment Disputes (ICSID)**

ICSID is an autonomous and independent international organisation of the World Bank Group that came into existence in 1966 following the convention of the Bank. The purpose of the ICSID is to provide facilities for reconciliation and Arbitration of investment disputes between host States and foreign investors in accordance with the provisions of the ICSID Convention. The Convention sought to remove major impediments to the free international flows of private investment posed by non-commercial risks and the absence of specialised international methods for investment dispute settlement.

Foreign or international arbitral awards can be enforced in Nigeria under the International Centre for Settlement of Investment Disputes (ICSID). So far, Nigeria has faced two claims at the centre, namely (i) Shell Nigeria Ultra Deep Limited v.

Federal Republic of Nigeria (ICSID Case No. ARB/07/18) registered on July 26, 2007 on hydrocarbon concession, and (ii) Guadalupe Gas Products Corporation v. Nigeria (ICSID Case No. ARB/78/1) registered on March 20, 1978 on production and marketing of liquefied natural gas.

- **Other Sectoral Intervention Programmes in Nigeria are:**

National Fadama Development Project (FADAMA I, II, & III)

The objective of the project is to sustainably increase the incomes of FADAMA land and water resource users to reduce rural poverty, increase food security as well as contribute to the achievement of the Millennium Development Goals (MDGs). The Federal Ministry of Environment anchors its implementation.

Fadama I (May 2004 to December 2011)

The First National Fadama Development Project (Fadama I) was designed and introduced as one of the World Bank assisted programmes in 1991 to promote simple and low-cost improved irrigation technology in Nigeria. It was funded with the view to build on some of the success of Agricultural Development Programmes (ADP) aimed at addressing some of the factors that militated against the full realisation of the potential benefit of agricultural production activities.

Fadama II (2005 to 2011)

Fadama II builds on the positive outcome of Fadama I, which include improved yield and enhanced income of the farmers. It also reaches out to other non-crop stakeholders on the Fadama land and promotes other farming activities. It seeks to empower local communities and improve the government's capacity to reach out specifically to the various stakeholders in the Fadama areas such as, farmers, fishermen, pastoralists, poor and vulnerable groups including women, unemployed youth, disabled, and people living with HIV/AIDS.

Fadama III (March 1, 2009 to December 31, 2013)

Following the success of Fadama II, the Federal Government was strongly committed to the Community-Driven Development approach and requested a follow-on project which was approved by the Bank Board of Directors in July 2008. The project is currently being implemented in 35 states in Nigeria as well as the Federal Capital Territory. Counterpart funding comprised of US$250 million from International Development Agency (IDA) credits and $200 million from Nigeria's Federal, State and Local Governments.

Growth, Employment and Markets in States Project (GEMS), July 2010 – June 2015

The GEMS Project represents a broad multi-donor initiative of which the IDA funds some aspects of the project primarily to increase growth and employment in participating states. This is carried out to improve the investment climate to be funded directly by DFID and to strengthen industry competitiveness towards job creation in selected states.

Nigeria State Education Sector Project (April 26, 2007 to July 1, 2011)

The development objective of the State Education Sector Project (SESP) for Nigeria is to improve the quality of basic education in targeted Local Government Areas (LGAs) in the participating States focusing particularly on girls' education. The State Ministries of Education served as the implementing agencies.

Health Systems Development

First & Second Health Systems Development Project

The main goal of the First Health Systems Development Project (HSDP I) was to assist the Nigerian health authorities in their efforts to redress the serious deterioration in the delivery of basic health care services. This was carried out as a result of decades neglect while at the same time building institutional capacities to pave way for a more sustained development of the Nigerian health care system. It was implemented within the Medium-Term Plan of Action for Health Sector Reform (2000 – 2003) framework.

The tripartite funding comprise of African Development Fund (ADF) with a contribution of U$43.15 million, representing 21.2% of the total project costs; the World Bank contributed U$125.40 million, representing 62.6% of total project costs while the Government of Nigeria provided the balance of U$35.05 million, representing 17.2% of the total project costs.

HSDP II: The HSDP II is an extension of HSDP I, with inclusion of building institutional capacities and additional finance to pave way for a more sustainable development of the Nigerian health care system.

Partnership for Polio Eradication Project (April 29, 2003 – April 30, 2012)

This project was to provide credit to the Federal Republic of Nigeria Partnerships for Polio Eradication. The credit finance needed for the procurement of Oral Polio Vaccine (OPV) in support of Nigeria's efforts to eradicate poliomyelitis was increased for larger coverage. The Federal Ministry of Health coordinated its implementation.

Nigeria National Energy Development Project (July 1, 2005 – June 30, 2012)

The development objective of the National Energy Development Project (NEDP) for Nigeria is to provide support to the FGN's energy sector reform efforts and facilitate its smooth transition to the new market and institutional structure. The PHCN and the Bureau of Public Enterprises (BPE) were the implementing agencies.

Nigeria Electricity and Gas Improvement Project (NEGIP) (June 16, 2009 – Dec.31, 2014)

The main objective of the Electricity and Gas Improvement Project for Nigeria is to:

a) Improve the availability and reliability of gas supply to increase power generation in existing public sector power plants; and
b) Improve the power network's capacity and efficiency to transmit and distribute quality electricity to the consumers.

First and Second National Urban Water Sector Reform Project

The Nigeria National Urban Water Sector Reform Project was aimed at improving reliability and financial viability of selected urban water utilities and increasing access to pipe-borne water networks in selected urban areas. The pilot project was implemented in Lagos and Cross River States.

Community-Driven Development (CDD)

The CDD is an approach by the World Bank to support participatory decision making, local capacity building and community control of resources. In Africa, the CDD seeks to empower local communities and local governments but the approach varies widely between countries. The CDD isolated projects in Nigeria cut across sectors such Fadama projects, **Local Empowerment and Environmental Management Project** (LEEMP), etc. These are meant to address multiple constraints to build synergies that will lead to larger impacts.

HIV/AIDS Program Development Project (I & II)

The development objective of this project is to assist Nigeria to reduce the spread and mitigate the impact of HIV infection. This would be done by strengthening its multi-sectoral response to the epidemy through the implementation of a comprehensive programme. It will also include the creation of an enabling environment for a large scale response and laying the foundation for scaling up HIV/AIDS prevention, care and treatment services at the tiers of government. The implementing agency is the National Action Committee on AIDS (NACA) with NGOS and Federal Ministry of Health. This project represents the Bank's contribution to the Interim Action Plan (IAP) as part of its Multi-Country AIDS Programme (MAP) for Africa. This project provides a platform for multiple partners' participation including their sources of external finance as well as their implementation strategies.

Micro, Small and Medium Enterprise Project (December 16, 2003 – December 31, 2011)

The Micro, Small and Medium Enterprise (MSME) Project in Nigeria was aimed at increasing the performance and employment levels of MSMEs in selected non-oil industry sub-sectors and this was done in pilot stages in selected states. The implementing agency was the Nigerian Investment Promotion Commission (NIPC).

Others:

- **Poverty Reduction Projects/ Schemes**

Since Nigeria joined the Institution, the World Bank has assisted the country on several developmental projects aimed at diversification, job creation, economic development and most especially poverty reduction.

- **INTSOK Nigeria : IFC-SME Programme**

INTSOK is a three-year value-addition programme initiated through a Cooperation Agreement between Norwegian and Nigerian sponsors. It was meant to develop local fabrication capacity in Nigeria's oil and gas industry with IFC as the Executing Agency. The INTSOK programme was formally launched in February, 2008 with the objective of enhancing local content in upstream oil and gas industry in Nigeria. The ultimate goal is to attract to Nigeria companies that possess capabilities that are highly valued on the world scene into the country's oil and gas sector.

- **Commercial Agriculture Development (January 15, 2009 to December 31, 2014)**

The development objective of the Commercial Agriculture Development Project is to strengthen agricultural production systems and facilitate access to market for targeted value chains among small and medium scale commercial farmers. The five participating states included Lagos, Kano, Kaduna, Enugu and Cross River. These value chains are: oil palm, cocoa, fruit trees, poultry, aquaculture and dairy, with maize and rice as staples. The State Ministries of Agriculture and Rural Development are two agencies that monitor the project.

- **Federal Government Economic Reform and Governance Project (December 14, 2004 to February 28, 2013)**

The aim of the Economic Reform and Governance Project (ERGP) for Nigeria is two-fold:

(a) To improve the federal government's economic and financial management systems and processes; and

(b) To firmly establish a reform process of the federal civil service towards improving professionalism and effective delivery.

SECTION THREE

The Roles of the IMF, the World Bank and the Global Financial System

When member countries run into financial crises, as they often do, their usual port of call is the International Monetary Fund (IMF) or the World Bank Group. And since the richest ones amongst these countries are the major contributors to the IMF and the World Bank Group, it explains why the general behaviour of the global financial system is largely determined by the activities of these rich industrialised countries.

Over the years, exchange rates and financial globalisation as well as high levels of economic growth for many countries have contributed to international economy. However, exchange rate volatility and frequent financial crises have flawed output growth in the recent time. Similarly, instability in a country's market can have spillover effects on markets in other countries. Thus, there remains a role for central international institution for oversight of the global financial and monetary system. The IMF, therefore, came into being to monitor the transactions of countries in global financial markets and issues early warning signals when appropriate, although there is a limit to when it can do this, to actively prevent a financial crisis. The legal authority to regulate and forestall financial systems crises resides squarely on the national and not at the international level.

The global financial crisis has created an opportunity for the IMF to expand its role by contributing to long-term systemic reform of the international financial system. Also, Article IV of IMF Articles of Agreement requires that the IMF "oversee the international monetary system in order to ensure its effective operation" and to "oversee the compliance of each member with its obligations" to the Fund. The Fund is further expected to play a broader reform in global financial system in terms of effective multilateral surveillance of the international economy.

Much progress has already been made in the setting of international financial standards and their adoption by countries around the world but only a few considered "core" international standards are being supervised by the IMF and/or the World Bank. The motivation for standards setting has come from the Basel Committee on Banking Supervision, which has concluded three successive international accords on standards for banking (i.e., Basel I, II and III), dealing mostly with capital requirements, standards for national supervision and market discipline.

3.1 World Bank Group (WBG)

As part of its global role of promoting economic stability globally, the World Bank Group has committed about $280 billion to its members since the financial crisis began in 2008. The Bank Group's commitments are in areas of social protection, education, health, food security, nutrition, population, and infrastructure, providing much-needed investments in crisis-hit economies. The Independent Evaluation Group (IEG) report finds that the World Bank provided lending to the majority of countries suffering from high levels of stress and supported relevant financial sector and fiscal management policies in these countries. The bulk of crisis support focused on countries that turned out to be moderately affected. It is also on record that IDA extended a loan of US$500 million development policy credit to Nigeria to help offset the fiscal impact of the global financial crisis and to support on-going economic reforms.

3.2 International Monetary Fund

The global financial crisis was a major task for the Fund. By its own orientation, the Fund's financial support consisting mostly of precautionary flexible credit lines, was highly concentrated, with nine severely affected countries accounting for 88 per cent of commitments from 2008 to 2010. According to Independent Evaluation Report (IEG) on Nigeria, the IMF did not have programmes in the large number of countries supported which the Fund supported. Nonetheless, the Fund's disbursement for the purpose of poverty reduction and growth has been rapid since the the recent global financial crisis. This has increased to about U$1,238.1 million over a period of three years (2005 to 2007), while the Fund's annual disbursements since the financial crisis commenced in 2008 averaged U$910 million.

Glassory of Term

Articles of Agreement: A written memorandum of the terms of an agreement. It is a common practice for persons to enter into articles of agreement.

Basel Committee: The Basel Committee on Banking Supervision provides a forum for regular cooperation on banking supervisory matters. Its objective is to enhance understanding of key supervisory issues and improve the quality of banking supervision worldwide.

Blueprint: Something used as a guide for building or doing something else. It can also be described as a detailed plan.

Capacity-Building: Planned development of (or increase in) knowledge, output rate, management, skills, and other capabilities of an organisation through acquisition, incentives, technology, and/or training.

Commercialisation: The process by which a new product or service is introduced into the general market. Commercialisation is broken into phases, from the initial introduction of the product through its mass production and adoption. It takes into account the production, distribution, marketing, sales and customer support required to achieve commercial success. As a strategy, commercialisation requires that a business develop a marketing plan, determine how the product will be supplied to the market and anticipate barriers to success.

Comparative Advantage: A situation in which a country, individual, company or region can produce goods at a lower opportunity cost than competition.

Economic Growth: A positive change in the level of production of goods and services by a country over a certain period of time. Nominal growth is defined as economic growth including inflation, while real growth is nominal growth minus inflation. Economic growth is usually brought about by technological innovation and positive external forces.

Economic Reform: Means a change for the better as a result of correcting abuses. It means bringing about changes in the economy.

Financial Crisis: A situation in which the value of financial institutions or assets drops rapidly. A financial crisis is often associated with a panic or a run on the banks, in which investors sell off assets or withdraw money from savings accounts with the expectation that the value of those assets will drop if they remain at a financial institution.

Financial Stability: A term used to describe the financial system of a nation that displays only minor fluctuations in output growth and exhibits a consistently low inflation rate. Economic stability is usually seen as a desirable state for a developed country that is often encouraged by the policies and actions of its central bank.

Foreign Investment: Flows of capital from one nation to another in exchange for significant ownership stakes in domestic companies or other domestic assets.

Great Depression: Worldwide economic collapse following the stock market crash in 1929, in which unemployment remained high for an extended period and many businesses failed.

International Financial Institutions (IFIs): Are financial institutions that have been established (or chartered) by more than one country, and hence are subjects of international law. Their owners or shareholders are generally national governments, although other international institutions and other organisations occasionally figure as shareholders.

International Monetary Fund: An international financial institution organised in 1945 to promote international trade by increasing the exchange stability of the major currencies.

International Trade: The economic interaction among different nations involving the exchange of goods and services, that is, exports and imports. The guiding principle of international trade is comparative advantage, which indicates that every country, no matter its level of development, can find something that it can produce cheaper than another country. International finance, the study of payments between nations, is a related area of international economics. A summary of international trade undertaken by a particular nation is given with the balance of trade.

Poverty Eradication: Poverty reduction (or poverty alleviation) is any process which seeks to reduce the level of poverty in a community, or amongst a group of people or countries. Poverty reduction programmes may be aimed at economic or non-economic poverty. Some of the popular methods used are education, economic development, and income redistribution. Poverty reduction efforts may also be aimed at removing social and legal barriers to income growth among the poor.

Privatisation: Privatisation can have several meanings. Primarily, it is the process of transferring ownership of a business, enterprise, agency, public service or public property from the public sector (a government) to the private sector, either to a business that operates for a profit or to a non-profit organisation

Structural Adjustment Programmes: A type of credit facility that helps developing countries become more economically self-sufficient. Structural adjustments are intended to reduce the current account debt of a debtor nation, as opposed to financing a new project. They do this by allowing the debtor nation to reschedule principal payments to a later date.

Technical Assistance: Providing of advice, assistance, and training pertaining to installation, operation, and maintenance of equipment. Good educational technical assistance is aligned with mission and values of school system, is a collaborative process that strengthens relationships with educators and students, and provides individuals and organisation with new knowledge and skills and opportunities to apply these to current and future situations.

Tripartite: Something shared by or involving three parties

World Bank: An organisation whose focus is on foreign exchange reserves and the balance of trade. It was established together with International Monetary Fund (IMF) in 1944 as part of Bretton Woods system to rebuild the Western economies shattered by second world War through financing of commercial and infrastructural projects.

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