

## AFRICA RISK CONSULTING

### Nigeria Monthly Briefing February 2018

#### Nigeria Summary 14 February 2018

*The government proposes cattle ranches as a solution to the increased violence between Muslim cattle herders and Christian farmers. The plan receives criticism with unfounded allegations that President Muhammadu Buhari (2015-present) has offered an overly-generous settlement to the cattle herders, as they belong to his Fulani ethnic group. The House of Representatives passes the Petroleum Industry Governance Bill (PIGB), but the Niger Delta Avengers threaten imminent return to violence. Lagos-based information and communication technology company Zinox Group acquires 99% of Lagos State-based e-commerce conglomerate Konga, highlighting investment potential of the e-commerce sector. A Buhari executive order promotes local content and employment in science, engineering and technology projects.*

#### Government faces criticism over response to cattle herder clashes

President **Muhammadu Buhari** (2015-present) denied on 8 February that the federal government plans to seize land to establish cattle ranches.<sup>1</sup> The government plans to establish so-called “*cattle colonies*”<sup>2</sup> to end clashes between Muslim cattle herders and Christian farmers, which have escalated in intensity since December. The agriculture minister, **Audu Ogbeh**, first raised the prospect of establishing cattle ranches across the whole of **Nigeria** in mid-January.<sup>3</sup> Under Ogbeh’s plan, the ranches would provide fixed land for cattle grazing.<sup>4</sup> The proposed ranches have, however, triggered disquiet, with state governments claiming they will require mass expropriation of land by the federal government.<sup>5</sup> There are also unsubstantiated allegations that Buhari has designed a solution that will allow the “*colonisation*”<sup>6</sup> of fertile ground by cattle herders as they belong to his Fulani ethnic group.<sup>7</sup>

*“The federal government on its part proposed the cattle colonies or grazing reserves which have their faults. The reasoning given was that lands belonging to natives would be ceded to pastoralists in unjustifiable ways.”<sup>8</sup>*

Buhari, however, rejected the criticism of the policy, saying it will improve security.<sup>9</sup> Buhari’s comments came the day after the Nigerian military confirmed it is deploying troops to **Benue, Taraba, Kogi, Nasarawa and Niger States**, those central **Middle Belt** states worst hit by the violence.<sup>10</sup> The deployment will last until 31 March. However, critics of the government’s security strategy say it has come too late.

*“The government’s handling of the situation leaves a lot to be desired; actions taken have been long overdue and the overall feeling is that people’s lives don’t matter as much as they should. Security agencies need to be much more proactive in their intel gathering and tracking of*

<sup>1</sup> This Day, 8 Feb 2018.

<sup>2</sup> Premium Times, 8 Feb 2018.

<sup>3</sup> Premium Times, 8 Feb 2018.

<sup>4</sup> Premium Times, 8 Feb 2018.

<sup>5</sup> Daily Post, 8 Feb 2018.

<sup>6</sup> Reuters, 8 Feb 2018.

<sup>7</sup> Daily Post, 8 Feb 2018.

<sup>8</sup> Source, political analyst, Abuja.

<sup>9</sup> This Day, 8 Feb 2018.

<sup>10</sup> Reuters 8 Feb 2018.

*suspicious elements to forestall such tragic and brutal attacks on unsuspecting, innocent citizens.”<sup>11</sup>*

The **Department of State Services (DSS)** on 22 January blamed the **Islamic State in West Africa (Boko Haram)** for the recent increase in communal clashes between Muslim cattle herders and Christian farmers.<sup>12</sup>

*“Boko Haram terrorist elements are only changing their style of offensives.”<sup>13</sup>*

However, there is no publicly-available information to support this allegation, and the cause appears to be pressure on land rather than Islamist militancy. The most serious clashes have been concentrated in Benue State, where 71 people died between 31 December and 6 January when Fulani herdsmen attacked remote Christian villages.<sup>14</sup> In the neighbouring Taraba State, Fulani herdsmen killed 70 people including traditional ruler, **Zaki Gabriel Ukovur**, in a series of raids in January.<sup>15</sup> The trigger for the recent escalation in violence was the killing of four mainly Fulani communities in **Adamawa State** in early December, triggering rounds of reprisals and counter-reprisals.<sup>16</sup> By 21 December, the security situation in Adamawa State had deteriorated so significantly that armed herdsmen opened fire on military aircraft, which did not retaliate.<sup>17</sup> Adamawa, Benue and Taraba States in the Middle Belt have seen the most clashes. However, incidents of violence between herdsmen and farmers have spread beyond their usual location in the Middle Belt. In **Ondo State**, in the **South West Geopolitical Zone**, herdsmen burned down the farm of former secretary to the government of the federation **Olu Falae** on 21 January.<sup>18</sup> In the **North East Geopolitical Zone**, at least seven members of the security forces have died during clashes between herdsmen and farmers since December.<sup>19</sup>

The clashes in the Middle Belt took on national significance in January, with protesters in **Makurdi** (Benue) calling on Buhari to resign if he does not improve the security situation.<sup>20</sup> While the clashes between the Muslim herdsmen and Christian farmers have a sectarian nature, they are not religiously motivated.<sup>21</sup> The main cause is decreasing land availability for both pastoralists and arable farmers due to Nigeria’s rapid population growth and urbanisation.<sup>22</sup> Nigeria’s pastoralist farming measures, including the herding on foot of cattle for grazing and long-transportation to distant markets, are largely outdated.<sup>23</sup> These methods increase the number of local farms and communities whose crops and water supplies are disrupted by pastoralists.<sup>24</sup> Pastoralists in recent months have tended to move their herds en masse due to drought in northern Nigeria, tsetse-fly infestation, and dry pastures in their original locations.

*“It has been contended that the challenges of global warming and desertification forced the herdsmen down south in search of pasture.”<sup>25</sup>*

This has increased the number of cattle trampling on and eating crops and grass, thereby destroying the livelihood of farm owners. The defence minister, **Mansur Dan-Ali**, in a statement on 25 January

<sup>11</sup> Source, security sector, Kaduna State.

<sup>12</sup> Nigeria Guardian, 22 Jan 2018.

<sup>13</sup> Source, political analyst, Abuja.

<sup>14</sup> Daily Post, 9 Jan 2018.

<sup>15</sup> Taraba State Broadcasting Service, 20 Jan 2018.

<sup>16</sup> SB Morgen, Jan 2018.

<sup>17</sup> SB Morgen, Jan 2018.

<sup>18</sup> Nigeria Guardian, 22 Jan 2018.

<sup>19</sup> The Nation, 25 Jan 2018.

<sup>20</sup> SB Morgen, Jan 2018.

<sup>21</sup> Source, INGO official, Nigeria.

<sup>22</sup> Source, INGO official, Nigeria.

<sup>23</sup> Source, INGO official, Nigeria.

<sup>24</sup> Source, INGO official, Nigeria.

<sup>25</sup> Source, political analyst, Abuja.

called on all Nigerians to be tolerant of non-members of their community, and on state governments to end the practice of arming forest rangers.<sup>26</sup>

The situation has increased tension between the federal and state governments. The federal government has blamed **Ekiti**, Benue and Taraba State governments for exacerbating long-standing tensions by enacting laws prohibiting open grazing.<sup>27</sup> State governments argue that they have decreased flashpoints, and cite Ekiti State, where there have been no reported clashes since the passage of anti-grazing legislation.<sup>28</sup> Advocates argue that anti-grazing laws provide a better alternative to the proposed cattle ranches.

*"In the midst of all this, the Federal Government contrives a solution which proposes the establishment of cattle colonies in each of the states. The government has a good explanation for what it sees as the panacea for farmers/herdsmen conflicts. But Benue State that had already enacted the anti-open grazing law as the best solution feels otherwise and vows to continue with full implementation of the law. Other states are equally kicking against establishment of cattle colonies."<sup>29</sup>*

Security sector sources have additionally called on state governments to take the lead in improving security.

*"The big question begging for an answer since the precarious incident of the herdsmen attacks on communities and innocent citizens of the country is whether the heinous acts should be categorised as a state or national issue. What is more worrisome is the fact that the Federal Government, which is constitutionally saddled with the responsibility of protecting lives and property of the citizenry through its security agencies has not taken decisive actions against the ceaseless and inhuman atrocities of the herdsmen. It is on record that in a lopsided federalism, all the security agencies in the country are under the control of the president and consequently, take final directives from his office in terms of providing security to the nation. The worries remain that the present administration in the country has not treated the herdsmen issue with the urgent dispatch it requires, thereby posing a serious security threat to the peace and unity of the nation."<sup>30</sup>*

There has been a resumption in calls for state governments to maintain their own police forces.

*"The security challenges of the nation have increased the amplitude of cries from concerned citizens for the creation of state police in Nigeria. The incessant herdsmen attacks, armed robbery, cultism and kidnapping amongst other heinous crimes threatening national security has necessitated the demand for state police."<sup>31</sup>*

Security is becoming an increasingly important political issue ahead of the February 2019 presidential election. Continued attacks will damage Buhari's credibility and authority ahead of the election, and may deter him from standing.

### House of Representatives passes Petroleum Industry Governance Bill

The **House of Representatives** passed the **Petroleum Industry Governance Bill (PIGB)** on 16 January.<sup>32</sup> The **Senate** passed the PIGB in May 2017, meaning it only requires President Buhari's assent to become law. The PIGB is a central plank of the now unbundled **Petroleum Industry Bill (PIB)**, which late President **Umaru Musa Yar'Adua** (2007-2010) introduced to the **National Assembly** in 2008. After years of delay, Buhari unbundled the PIB to facilitate its legislative passage.

<sup>26</sup> Premium Times, 25 Jan 2018.

<sup>27</sup> Premium Times, 25 Jan 2018.

<sup>28</sup> Source, INGO official, Nigeria.

<sup>29</sup> Source, former minister, Benue State.

<sup>30</sup> Source, security analyst, Enugu State.

<sup>31</sup> Source, consultant, Lagos.

<sup>32</sup> Premium Times, 18 Jan 2018.

The PIGB focuses on the corporate and governance structures of the oil sector.<sup>33</sup> The PIGB provides for the establishment of a new regulatory agency, the **Nigeria Petroleum Regulatory Commission (NPRC)**.<sup>34</sup> The NPRC will oversee and enforce compliance with oil sector policies and regulations.<sup>35</sup> The NPRC will absorb the functions of the **Petroleum Inspectorate**, the **Department of Petroleum Resources** and the **Petroleum Products Pricing Regulatory Agency**.<sup>36</sup> The NPRC will also have responsibility for decision-making currently held by the president and petroleum resources minister to curb the powers of individual office holders.<sup>37</sup> The PIGB prepares for the unbundling of the NNPC into two entities: the **Nigeria Petroleum Assets Management Co (NPAM)** and the **National Petroleum Co (NPC)**. The NPC and the NPAM will absorb the assets and liabilities of the **Nigerian National Petroleum Corporation (NNPC)**. The NPAM will manage production sharing contracts (PSCs) and service agreements.<sup>38</sup> The NPC will manage the state's interest in joint ventures but as an independent commercial entity.<sup>39</sup> The other two pieces of legislation unbundled from the PIB are the **National Petroleum Fiscal Policy** and the **Host Community Development Fund Bill**.

In a reminder of the challenges that the oil sector still faces, the **Niger Delta Avengers** militant group threatened on 17 January to imminently renew attacks on oil infrastructure in the **Niger Delta Region**.<sup>40</sup> Militant groups are likely to increase their activity in the run-up to the 2019 general election as they look to extract concessions from the government. The Niger Delta Avengers said they had abandoned talks with the government to secure the region a greater share of oil revenue.<sup>41</sup> The Niger Delta Avengers ended its August 2016 ceasefire with the government in November. In a statement, the Niger Delta Avengers said the talks have not achieved any meaningful results:

*"This round of attacks will be the most deadly and will be targeting the deep-sea operations of the multinationals."*<sup>42</sup>

The statement specifically referred to:

- the **United Kingdom (UK)**-based **Royal Dutch Shell Plc** subsidiary **Shell Nigeria Exploration and Production Co Ltd**-operated **Bonga Platform** and the **EA** field;
- the **United States**-based **Chevron Corp**-operated **Agbami field**, whose shareholders include France-based **Total E&P**, China-based **China National Offshore Oil Corp (CNOOC)**, Brazil-based **Petróleo Brasileiro S.A. (Petrobras)** and domestic oil company **South Atlantic Petroleum (SAPETRO)**;
- the Total subsidiary **Total Upstream Nigeria Ltd**-operated **Akpo** field.<sup>43</sup>

The Niger Delta Avengers' militancy campaign in 2016 cut the region's crude production from 2.2 million bpd to approximately 1 million bpd, contributing to Nigeria's slide into recession.<sup>44</sup> In its statement, the Niger Delta Avengers drew attention to the potential economic impact of their renewed militancy,

*"While promising a brutal outpour of our wrath, which shall shake the coffers of the failed Nigerian nation, our demand unambiguously is for the government to restructure this country."*<sup>45</sup>

<sup>33</sup> This Day, 18 Jan 2018.

<sup>34</sup> Source, energy sector analyst, Lagos

<sup>35</sup> Source, energy sector analyst, Lagos.

<sup>36</sup> Source, energy sector analyst, Lagos

<sup>37</sup> Source, energy sector analyst, Lagos

<sup>38</sup> Source, energy sector analyst, Lagos

<sup>39</sup> Source, energy sector analyst, Lagos

<sup>40</sup> Reuters, 17 Jan 2018.

<sup>41</sup> Reuters, 17 Jan 2018.

<sup>42</sup> Reuters, 17 Jan 2018.

<sup>43</sup> Reuters, 17 Jan 2018.

<sup>44</sup> Reuters, 17 Jan 2018.

<sup>45</sup> Reuters, 17 Jan 2018.

The PIGB is only the first step to addressing political risks in the oil sector. Meaningful change will require the implementation of the National Petroleum Fiscal Policy and the Host Community Development Fund Bill. These are more significant for addressing investor concerns. The Host Development Bill, in particular, will address popular concerns in the Niger Delta about the management and destination of petroleum revenue, a long-standing grievance that has encouraged militancy and attacks on oil and gas infrastructure that result in supply disruptions. It is unlikely that the National Assembly will pass these two pieces of legislation before the end of the year.

### Zinox acquires Konga in unprecedented e-commerce transaction

**Lagos**-based information and communication technology company **Zinox Group** announced the acquisition of 99% of **Lagos State**-based e-commerce conglomerate **Konga** on 3 February.<sup>46</sup> The deal highlights the investment potential of the e-commerce sector, which will change Africa's fast-moving consumer goods market by providing retail businesses with the opportunities to bypass the infrastructure deficit. Zinox Group's acquisition of Konga was backed by international investors, **South Africa**-based internet and media group **Naspers Ltd** and **Sweden**-based digital consumer-focused investment company **Kinnevik AB**.<sup>47</sup> Zinox Group has acquired Konga's **Konga.com** e-commerce platform, logistics arm **KOS-Express**, and mobile money payment channel **KongaPay**.<sup>48</sup> The Nigerian government expects the e-commerce sector to grow to \$10 billion over the next ten years, reaching 300,000 online orders per day.<sup>49</sup>

While the e-commerce sector has rapid growth potential for investors to tap into, it faces challenges, including a cultural reluctance to utilise online payments and habitual use of established formal and informal markets.

### Executive order promotes local content and employment in STEM projects

Buhari issued an executive order on 5 February that will promote local content and employment for science, engineering and technology projects.<sup>50</sup> The order is erroneously based on the idea that Nigeria's technological development deficit is due to the proportion of foreign contractors and employees rather than structural issues including poor infrastructure and low capital investment. Under the order, all procuring authorities must give preference to local companies when awarding contracts for the planning and execution of science, engineering and technology projects.<sup>51</sup> The order prohibits the award of employment visas to foreign workers whose skills are already available in Nigeria.<sup>52</sup> If there is insufficient local expertise, the government will prioritise foreign companies with a demonstrable plan for indigenous development.<sup>53</sup>

The move may deter investment in these sectors if companies can no longer engage the most qualified manpower available regardless of their nationality.

### Planner

2 Mar 2019 (**Nigeria**) *Vanguard*. Voting in governorships and state assembly elections;  
 16 Feb 2019 (**Nigeria**) *Vanguard*. Voting in presidential and **National Assembly** elections;  
 1 Dec 2018 (**Nigeria**) *Vanguard*. Campaigning to begin for governorships and state assembly elections;

<sup>46</sup> This Day, 3 Feb 2018.

<sup>47</sup> This Day, 3 Feb 2018.

<sup>48</sup> This Day, 3 Feb 2018.

<sup>49</sup> PWC, 2016.

<sup>50</sup> Premium Times, 5 Feb 2018.

<sup>51</sup> Premium Times, 5 Feb 2018.

<sup>52</sup> Premium Times, 5 Feb 2018.

<sup>53</sup> Premium Times, 5 Feb 2018.

18 Nov 2018 **(Nigeria) Vanguard**. Campaigning to begin for presidential and **National Assembly** elections;

7 Oct 2018 **(Nigeria) Vanguard**. Deadline for parties to select candidate for 2019 general election;

Jun 2018 **(Nigeria) FT**. The **Organization of Petroleum Exporting Countries (OPEC)** to discuss output cap, and Nigeria's exemption;

Apr 2018 **(Nigeria) This Day**. **Nigerian National Petroleum Corporation (NNPC)** target to clear its cash call debts with joint venture partners;

Q1 2018 **(Nigeria) This Day**. Construction of fertiliser plant in **Dangote Refinery and Petrochemical Complex** scheduled to finish;

### Chronology

12 Feb 2018 **Abuja (Nigeria) Reuters**. **United Kingdom** government adds naira to list of "pre-approved currencies", allowing it to provide local currency financing for transactions with Nigerian businesses;

9 Feb 2018 **Lagos (Nigeria) Bloomberg**. **MTN Group Ltd** plans to raise about \$500m from the sale of shares in its Nigerian business during the first half of the year;

5 Feb 2018 **Abuja (Nigeria) Premium Times**. Buhari issues an executive order that will promote local content and employment for science, engineering and technology projects;

3 Feb 2018 **Lagos (Nigeria) This Day**. Information and communication technology company **Zinox Group** announces the acquisition of 99% of e-commerce conglomerate **Konga** on 3 February;

1 Feb 2018 **Mambila (Nigeria) Nigeria Guardian**. The state-owned **Nigerian National Petroleum Corp (NNPC)** will look to public private partnerships (PPP) for gas pipeline investment;

1 Feb 2018 **Abuja (Nigeria) Premium Times**. Buhari nominates **Edward Adamu** as the new **Central Bank of Nigeria (CBN)** deputy governor;

29 Jan 2018 **Mambila (Nigeria) Bloomberg**. Work on \$5.8 billion hydro-electric plant to begin before end of year after government agrees loan terms with the **Export-Import Bank of China (China Exim)**;

26 Jan 2018 **Abuja (Nigeria) Reuters**. The **Debt Management Office (DMO)** is considering raising \$2.5 billion Eurobond issue this quarter to refinance domestic Treasury bill portfolio;

25 Jan 2018 **(Nigeria) Bloomberg**. CBN governor **Godwin Emefiele** says the CBN may cut interest rates in first half of year as inflation eases;

24 Jan 2018 **(Nigeria) The Nation**. The **Nigerian National Petroleum Corp (NNPC)** will decide on investors for its existing refineries before the end of the month;

23 Jan 2018 **Niger Delta (Nigeria) Premium Times**. Former president **Olusegun Obasanjo** issues statement calling on Buhari not to stand in the February 2019 presidential election;

23 Jan 2018 **(Nigeria) Bloomberg**. **African Development Bank (AfDB)** president **Akinwumi Adesina** said the AfDB plans to extend \$2 billion in loans to agriculture, power and infrastructure sectors;

22 Jan 2018 **Niger Delta (Nigeria) This Day**. The CBN fails to hold its scheduled monetary policy committee due to lack of quorum;

17 Jan 2018 **Niger Delta (Nigeria) Punch**. The **Niger Delta Avengers** threatens imminent resumption of attacks on international oil companies' infrastructure;

17 Jan 2018 **Abuja (Nigeria) This Day**. The **House of Representatives** passes the **Petroleum Industry Governance Bill (PIGB)**;

17 Jan 2018 **(Nigeria)** *Reuters*. The government sues **JP Morgan** for \$875m over alleged negligence in transfer of funds related to 2011 **Malabu** oilfield deal;

16 Jan 2018 **Abuja (Nigeria)** *This Day*. The **Debt Management Office** says Nigeria will raise \$700m from international sources, under its 2017 \$3.5 billion external borrowing programme;