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Militants claiming to represent Biafran secessionists seize a chemical tanker in the Gulf of Guinea. It is not clear whether either the Indigenous People of Biafra (IPOB) movement or the Movement for the Actualisation of the Sovereign State of Biafra (MASSOB) is involved, and the incident may have a criminal motivation. The government looks to secure concessional lending to meet the 2016 fiscal deficit. The United Nations Conference on Trade and Development (UNCTAD) shows that foreign direct investment (FDI) inflows into Nigeria in 2015 decreased amid increased political risk around the general election. The Central Bank of Nigeria (CBN) stops the sale of foreign exchange to bureaux de change and enforces stamp duty laws on commercial banks' financial transactions. The Nigeria Labour Congress (NLC) and the Trade Union Congress (TUC) protest electricity tariff increases.

Militants, allegedly representing pro-Biafran interests, seize chemical tanker

Militants claiming to act on behalf of pro-Biafran leader **Nnamdi Kanu** temporarily seized the **MT Leon Dias** chemical tanker, signaling increased insecurity in the **Niger Delta**. It is not clear whether the militants used Kanu's name to lend a degree of political legitimacy to a criminal kidnap for ransom operation, or if they are connected to Kanu's **Indigenous People of Biafra (IPOB)** movement, or the **Movement for the Actualisation of the Sovereign State of Biafra (MASSOB)**. The **Leon Dias** is a 2003-built **Greek-owned** and commercially operated vessel, which is registered in **Monrovia (Liberia)** and sails under a **Liberian flag**.¹ Militants seized the vessel off the **Bakassi Peninsula** in the **Gulf of Guinea** on 29 January, appearing to think it was a crude oil tanker.² The seizure was the first time that a pro-Biafra group claimed to detain a vessel. The group's leader, using the name **General Ben**, threatened to blow it up if the **Nigerian** government did not release IPOB leader Kanu within 31 days, before disembarking with five international crew members as hostages on 31 January.³ The vessel is currently under anchorage near **Cotonou Port (Benin)**.

The links to Kanu are unclear but the incident indicates a resurgence in pro-independence Biafra activity since Kanu's detention in October 2015.⁴ Ethnic **Igbo** calls for secession of the Biafran region resulted in the 1967-1970 civil war. Security forces originally arrested Kanu, director of the proscribed **Radio Biafra**, under terrorism and treason charges in October. The government banned Radio Biafra in July 2015, following its vitriolic criticism of the **Muhammadu Buhari** (2015- present) administration. Kanu's arrest triggered violent protests in **Abia State** capital **Aba**, with security forces using smoke grenades and allegedly live ammunition⁵ to disperse the demonstrators. There were other more peaceful demonstrations in **Enugu** and **Delta States** in the Niger Delta, which were part of Biafra during the civil war.

One of the reasons for the increased Biafra activity is that since the March and April 2015 general election, the region is largely under opposition **People's Democratic Party (PDP)** governors.

*"The Biafra issue is a fraud; if you look at proponents of the new Biafra (a resurgence of the old Biafra), these are people who campaigned for and supported former president **Goodluck Jonathan** [2010-2015]. At the time it was put in the cooler; now it seems as if Biafra has woken from a deep*

1 Source, maritime arbitrator, UK

2 Source, maritime arbitrator, UK

3 www.lloydlist.com

4 Source, business consultant, Lagos

5 www.news24.com.ng

slumber – a carryover of Jonathan’s election defeat. The undercurrent is that some people are disgruntled because they lost out. It is very likely that they’re being sponsored.”⁶

According to a second source,

“On Biafra, it is an insincere, untimely venture. I believe it is being sponsored by those who lost out in 2015 general elections, especially those in PDP. Biafra is a tool for negotiation, but unfortunately it will fail. Biafra agitation should have been sustained during Jonathan’s era. No level of agitation for secession can bring it to fruition.”⁷

There is also a broader concern about declining southern political influence under northerner Buhari. During the election campaign, local PDP activists portrayed Buhari’s now ruling **All Progressives Congress (APC)** as similar to the northern alliance that defeated the Biafra in the civil war. As a then military officer, Buhari fought against the Biafra in the civil war.

“There is a historical angle to it: after the civil war the Igbos had a deep-seated hatred for the Hausas who dominated the army in terms of numbers. It’s going to be difficult for them to get over it. Buhari’s only offence is that he is a northerner.”⁸

The IPOB and MASSOB have both denied any involvement in the seizure of the Leon Dias.⁹ Both groups appear to lack the capacity to seize a vessel.¹⁰ MASSOB leader **Uchenna Madu** denied that General Ben is a Biafran separatist, but has previously said that Niger Delta-based militants had made overtures about possible collaboration.¹¹ There is no history of collaboration. Niger Delta-based **Ijaw**-militants are traditionally wary of Igbo claims to be part of the Niger Delta region as part of an independent Biafran state.

Niger Delta militants have increased their activities since the start of the year with a series of pipeline sabotage attacks. The trigger for the increased activity was the issuing of an arrest warrant against former **Movement for the Emancipation of the Niger Delta (MEND)** leader **Government Ekpemupolo ‘Tompson’**, a “major illegal bunkerer and pirate”¹². Additionally, former militants are concerned that the government will stop financing the **Presidential Amnesty Programme** in January 2017.

“The coincidence between the two [resumption of Biafra agitation and Niger Delta militancy] is interesting; it would appear a mind game is on, an attempt to intimidate the government into reaching some sort of compromise. Arriving at one would set a bad precedent, any thug would begin to blow things up.”¹³

The Niger Delta militancy is expected to continue, as Tompolo looks to avoid arrest.

“The Niger Delta is a big distraction for the Buhari government. And who will lose in the end? The Niger Delta people. Tompolo and his group will plunge the Niger Delta into a theatre of war in order to evade prosecution. He and his cohorts must face prosecution. As the government chases these men and the vandals continue to blow up the pipelines, no meaningful development will be recorded there. They outlived their usefulness when they cornered [the Jonathan] government into negotiating with them. They should have known that that era was over with the election of Buhari.”¹⁴

According to another source,

6 Source, business executive, Lagos

7 Source, civil servant, Lokoja

8 Source, business executive, Lagos

9 www.ibtimes.co.uk

10 www.ibtimes.co.uk

11 www.ibtimes.co.uk

12 Source, former presidential adviser, Abuja

13 Source, business executive, Lagos

14 Source, civil servant, Lokoja

*“Buhari’s recent statement about the Niger Delta situation being less problematic and therefore easier to handle than the **Boko Haram** insurgency in the North could result in increased militant activity there. They might want to up the ante in order to gain government’s attention.”¹⁵*

This is likely to prove a more persistent security risk for the Nigerian government than calls for Biafra independence.

*“I do not think the agitation for a Biafran state will endure; it’s bound to fizzle out over time as those who support it realise it is not going anywhere. The challenge to the federal government is to give the **South-East** and all other geo-political zones a true sense of belonging and inclusion. Governors of South-East states also have a role to play by addressing the root causes of this agitation: poverty, unemployment, ignorance.”¹⁶*

Government looks for international concessional lending

The government has prepared to meet the 2016 fiscal deficit through external borrowing. Nigeria requires financing from external sources to meet the current account shortfall as well as the 2016 budget’s capital expenditure requirements. Finance minister **Kemi Adeosun** has said that Nigeria is in discussions with the **World Bank** and the **African Development Bank (AfDB)** to secure \$3.5 billion in concessional loans.¹⁷ The AfDB on 2 February confirmed that Nigeria has made a formal request for \$1 billion from the AfDB but is yet to make a formal request to the World Bank.¹⁸ The AfDB said an appraisal team would soon visit Nigeria to discuss a possible loan.¹⁹ Nigeria has not approached the **International Monetary Fund (IMF)** for assistance. Adeosun said the government would tie the concessional loans to specific capital projects.²⁰ Adeosun had previously said the government will borrow approximately \$5 billion in external debt from international finance institutions and the Eurobond market to cover the fiscal deficit.²¹ The 2016 budget initially projected the fiscal deficit at 1.8 trillion naira (N) (\$9 billion) (2.2% of GDP).²² However, the government has revised its deficit estimate upwards to N3 trillion (\$15 billion) (3% of GDP) amid concerns that global crude oil prices may stabilise beneath its benchmark price assumption of \$38 per barrel.²³ Adeosun confirmed that investor roadshows will begin in January ahead of a potential \$1 billion Eurobond issue in February.²⁴ Nigeria last issued a dollar bond in 2013. Other possible options that the government is considering include borrowing on concessionary terms from export credit agencies, including the **Export Import Bank of China (China Exim)**.²⁵

United Nations Conference on Trade and Development (UNCTAD) data has shown that foreign direct investment (FDI) inflows into Nigeria in 2015 decreased for the fourth consecutive year.²⁶ The UNCTAD published its **Global Investment Trends Monitor** report on 20 January.²⁷ The report shows that FDI into Nigeria declined 27% to \$3.4 billion in 2015.²⁸ The uncertainty of the March general election and the impact of declining oil prices resulted in increased investor uncertainty. Nevertheless, the declining FDI is part of a longer trend since a peak of \$8.9 billion in 2011.²⁹ **Central Bank of Nigeria (CBN)** data also shows a decrease in foreign portfolio investment in 2015, part of a longer trend ongoing since 2013.

15 Source, political analyst, Lagos

16 Source, political analyst, Lagos

17 Bloomberg, 1 Feb 2016.

18 Reuters, 2 Feb 2016.

19 Reuters, 2 Feb 2016.

20 Bloomberg, 1 Feb 2016.

21 Bloomberg, 1 Feb 2016.

22 Vanguard, 29 Jan 2016.

23 Vanguard, 29 Jan 2016.

24 Bloomberg, 1 Feb 2016.

25 Reuters, 2 Feb 2016.

26 www.unctad.org

27 www.unctad.org

28 www.unctad.org

29 www.unctad.org

Investor confidence remains low due to the CBN's use of capital controls to curb foreign exchange demand and shore up the weak currency. The **Nigerian Stock Exchange (NSE) All Share Index** on 18 January fell 4.1% to lowest level since July 2012.³⁰ The decline shows investor concern about the capacity of the CBN to provide sufficient dollars to cover exits. It was the ninth straight day that the index had declined, taking the year to date losses to 17.9%.³¹ The CBN announced on 15 January that it would no longer hold daily foreign exchange auctions, but would now hold weekly auctions. Analysts believe that oil prices will continue to decline in the immediate term and that this, combined with the CBN's capital control measures, will deter foreign portfolio investors, with little possibility of an imminent rebound.³²

The NSE on 15 January introduced a circuit breaker to limit price swings, suspending trading if the main All Share Index moves 5%.³³ The market will close for the day if the circuit breaker is triggered for a second time. The NSE had approved the circuit breaker in May 2014 but had never implemented it. **China** in January lifted its circuit breaker, after warning that it encouraged exits on the back of sharp declines.³⁴

CBN introduces reforms to defer currency devaluation

The CBN has introduced foreign exchange reforms as it continues to resist demands to devalue the naira. The falling price of oil has limited the number of dollars entering the country. The CBN has stopped the sale of foreign exchange to bureaux de change³⁵ in the hope that this will shore up Nigeria's financial reserves. However, an unintended consequence of discontinued foreign exchange sales may be increased currency speculation.³⁶ The CBN also announced that commercial banks are again allowed to accept cash donations of foreign exchange.³⁷ This is a reversal of a policy that the CBN introduced in August to prevent blacklisted importers, barred from the CBN's foreign exchange auctions, from buying dollars on the parallel market.

The CBN on 19 January additionally confirmed that it will start enforcing stamp duty laws on commercial banks' financial transactions.³⁸ The CBN announcement is part of a broader strategy of increasing non-oil revenue. According to a CBN circular, commercial banks will start charging N50 (\$0.25) on deposits of N1,000 (\$5.02) or above, and for all electronic transfers.³⁹ The circular said there are exemptions for payments or transfers in the same name, in the same bank or to an associated bank, or withdrawals or transfers from savings accounts.⁴⁰ The government enacted the stamp duties law in 2009, but authorities have never enforced it due to popular complaints about commercial bank's excessive charges.

Unions begin electricity tariff protests

The **Nigeria Labour Congress (NLC)** and the **Trade Union Congress (TUC)** on 8 February began protests at **Multi-Year Tariff Order** electricity tariff increases that came into force on 1 February.⁴¹ The labour action signals a significant challenge facing Buhari in his economic reform efforts. The NLC and TUC held a peaceful protest at the national assembly in **Abuja**, as well as nationwide protests at the offices of both power distribution and power generation companies.⁴² The **Nigerian Electricity Regulatory Commission (NERC)** has said that the 45% increase is necessary to help the privatised power distribution and power generation companies operate on a cost recovery basis and secure investment required for infrastructure rehabilitation.⁴³ Jonathan oversaw the unbundling of the **Power Holding Co of Nigeria**

30 Reuters, 18 Jan 2016.

31 Reuters, 18 Jan 2016.

32 Reuters, 18 Jan 2016.

33 Bloomberg, 15 Jan 2016.

34 Bloomberg, 15 Jan 2016.

35 Vanguard, 11 Jan 2016.

36 Vanguard, 11 Jan 2016.

37 Vanguard, 11 Jan 2016.

38 Reuters, 19 Jan 2016.

39 Reuters, 19 Jan 2016.

40 Reuters, 19 Jan 2016.

41 Vanguard, 8 Feb 2016.

42 TV360, 8 Feb 2016.

43 Vanguard, 8 Feb 2016.

(PHCN) into five power generation plants and ten distribution companies in October 2013. In November 2015, the national assembly ordered NERC to suspend the tariff increase until power supply becomes more effective. The CBN suspended disbursements from its \$1.5 billion power intervention fund until the NERC introduced the new tariffs.

Implications

The majority of Biafra security incidents are limited in scale and – unless the direct or indirect involvement of the IPOB or MASSOB in the tanker hijacking is proven – are not likely to escalate if carefully managed. The issues that drive the desire for secession, including youth unemployment, poor governance and lack of economic development are long-term security risks across the majority of Nigeria.

The World Bank insists that its concessional loans finance specific projects rather than the budget deficit more broadly. This will force the Nigerian government to extend its borrowing, likely from more costly domestic and external capital markets.

The CBN limit on the sale of dollars to bureaux de change will encourage the depreciation of the naira in the parallel markets, increasing the gap between unofficial and CBN rates introduced in March 2015. The stamp duty will increase the cost of doing business in Nigeria, with commercial banks likely to pass the cost on to the client.

Delays to reform efforts in the electricity sector are common and will continue. Improvements will be slow. The industry as a whole still serves the interests of producer stakeholders ahead of consumer and industrial customers. Corruption, poor infrastructure and low revenue generation will continue to deter necessary investment in the sector.

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