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The national assembly fails to meet its own deadline to vote on revisions to the 2016 budget. Confusion about revisions to the draft document has undermined President Muhammadu Buhari's (2015- present) reputation for fiscal management. Fuel shortages disrupt business activity as the state-owned Nigerian National Petroleum Corp (NNPC) struggles to secure supplies. The National Union of Petroleum and Natural Gas Workers (NUPENG) and the Petroleum and Natural Gas Senior Staff Association of Nigeria (PENGASSAN) hold a one-day strike that exacerbates the situation. Buhari dismisses 26 heads of federal state-owned companies and regulatory agencies whom predecessor president Goodluck Jonathan (2010-2015) had appointed.

National assembly fails to meet budget deadline

The national assembly has failed to meet its own internal deadline of 25 February to vote on revisions to the 2016 budget.¹ The delay to the budget might indicate that the government is planning to increase its 2016 fiscal deficit forecasts. The finance ministry in January revised upwards its fiscal deficit estimate from 1.8 trillion naira (N) (\$9 billion), representing 2.2% of GDP, to N3 trillion (\$15 billion), 3% of GDP, amid concerns that global crude oil prices may stabilise below the budget's assumption of a benchmark price of \$38 per barrel.² House of representatives budget committee chairman **Abdulummin Jibrin** on 9 February announced the delay, acknowledging that there are disagreements between ministers and civil servants over the budget.³ Senate budget committee chairman **Danjuma Goje** also said that the national assembly needs more time to “remove all ambiguities and paddings” to ensure the final document is approved.⁴ There is confusion about the exact revisions that the national assembly is working on, after President **Muhammadu Buhari** (2015-present) withdrew the draft budget, which contained discrepancies and repetitions, on 19 January before appearing to resubmit the same document. The confusion has undermined Buhari's credibility for public financial management.

“The [revision] of this budget must have embarrassed the president because the president that Nigerians voted for to bring change would not have allowed this level of exaggeration, misallocation and unprofessionalism. There is no doubt that this was a budget put together in a hurry.”⁵

The government has blamed the new ‘zero-based budgeting’ system, whereby the government makes an entirely new budget rather than building on the preceding year's document, for the errors.⁶ However, it is uncertain whether government ministries, departments and agencies have complied with the zero-based budgeting system.

¹ Nigeria Guardian, 9 Feb 2016.

² Vanguard, 29 Jan 2016.

³ Nigeria Guardian, 9 Feb 2016.

⁴ Vanguard, 10 Feb 2016.

⁵ Source, economics professor, Nsukka

⁶ This Day, 16 Feb 2016.

*"It became evident that a number of ministries and agencies simply dusted up previous budgets and adjusted a few figures in them because they were under pressure to submit. It did not come as too much of a surprise that we ended up with a budget like that; Buhari took about six months to assemble his cabinet and we had a situation with many new and inexperienced people including ministers and permanent secretaries."*⁷

*"It started seemingly from zero-based and quickly migrated back to the lazy envelope system. Some civil servants further complicated the matter by exploiting the newness of the ministers and their non-surveillance instinct to create a budget of their own."*⁸

There is speculation that parliament has used the budget to weaken Buhari.

*"Available information indicates that the original budget, produced with the support of consultants using new software, got altered after it was submitted to the national assembly. It had its own inadequacies and flaws but these are nothing compared to what happened next which reeks strongly of a conspiracy in the parliament to embarrass and discredit the presidency."*⁹

After criticising errors in the original budget, Buhari on 16 February dismissed budget office director general **Yahaya Gusau** after only six months in office.¹⁰ His successor is former banker **Tijjani Abdullahi**.¹¹ Buhari also appointed **Ben Akabueze** as special adviser to the budget minister, **Udoma Udo Udoma**.¹² Akabueze was a budget and planning commissioner in **Lagos State** under former governor **Babatunde Fashola** who is now power and works minister.¹³ However, it is Buhari who stands to lose credibility over the delayed budget.

*"This the first time a budget has had to be so closely scrutinised. Buhari has a serious credibility problem right now since he has ultimate responsibility for whatever happens under his watch including ownership of the budget process and the resultant fallout."*¹⁴

There is also speculation that Buhari's willingness to delegate authority to government officials may have encouraged the confusion.

*"To be fair to Buhari, I believe he fell victim of his trust; that he was let down by people he believed he could delegate the responsibility of preparing a credible budget to. However, this paints a worrisome picture of a president who may not be in charge after all, and who must fight hard to ward off the influence of forces that surround him."*¹⁵

It is possible that Buhari may use the budget confusion as an opportunity to improve Nigeria's poor record of public financial management.

*"Buhari should inaugurate a panel of inquiry into how it was done, those involved and how to curtail such in future. It is not enough for him to punish those involved in the act. It is a national embarrassment not only to the president but also to the nation. Some of the civil servants always go behind the door to lobby the lawmakers; and they will share such money later."*¹⁶

⁷ Source, development expert, Abuja

⁸ Source, economics professor, Nsukka

⁹ Source, oil sector expert, Lagos

¹⁰ This Day, 16 Feb 2016.

¹¹ This Day, 16 Feb 2016.

¹² This Day, 16 Feb 2016.

¹³ This Day, 16 Feb 2016.

¹⁴ Source, analyst, Abuja

¹⁵ Source, public affairs commentator, Abuja

¹⁶ Source, retired military officer, Abuja

Fuel shortages disrupt business activity

Fuel shortages are increasing as the state-owned **Nigerian National Petroleum Corp (NNPC)** struggles to secure supplies. The fuel shortages are disrupting business activity, including the transport of cargo to and from **Apapa Port** (Lagos State). The fuel shortages started in early March and have resulted in long queues at petrol stations in **Abuja** and **Lagos**.¹⁷ An additional shortage of aviation fuel has resulted in the cancellation of some domestic flights and international flights as carriers are concerned about securing sufficient fuel in Nigeria.¹⁸

The cause of the current shortages is low oil prices that make it difficult for the NNPC to exchange crude for refined oil. Due to capital controls, independent marketers are struggling to secure sufficient foreign exchange to acquire imports. Additionally, the NNPC refineries at **Port Harcourt**, **Warri** and **Kaduna** – that rarely operate at full capacity – have not operated at all since mid-January due to attacks on pipelines. The situation, however, worsened on 9 March when Nigeria’s powerful oil sector unions, the **National Union of Petroleum and Natural Gas Workers (NUPENG)** and the **Petroleum and Natural Gas Senior Staff Association of Nigeria (PENGASSAN)**, started labour action.¹⁹ NUPENG and PENGASSAN ordered oil sector workers, including those unloading fuel imports, to walk out.²⁰ The cause of the dispute was reportedly Buhari on 8 March approving plans to restructure the NNPC into upstream, downstream, gas power marketing, refinery, and ventures divisions.²¹ NUPENG and PENGASSAN claim that the government did not consult them before the announcement, and that they will resist any retrenchments. Nevertheless, NUPENG and PENGASSAN called off the strike on 10 March following discussions with NNPC managing director and state petroleum minister **Emmanuel Ibe Kachikwu**.²² The unions said in a statement that they will back the restructure of the NNPC.²³

Kachikwu has said that the NNPC is raising capital to repay approximately \$4 billion in debt to international oil companies.²⁴ Clearing debts will only go some way to increasing oil production as low international prices and regulatory uncertainty continue to discourage international investments. Kachikwu said the NNPC is in discussions with banks and international oil companies to raise third party capital.²⁵ The capital will pay back the \$4 billion in debt that the NNPC has accumulated since 2012.²⁶ Despite high oil prices during this period, mismanagement and corruption allowed the NNPC to accumulate debts. The ongoing low international oil prices will make securing the necessary financing expensive. Kachikwu said the NNPC hopes to clear its debts by 2017.²⁷ Kachikwu also said the funds will finance new drilling projects and long-overdue investment in the NNPC’s dilapidated refineries.²⁸

Buhari dismisses Jonathan appointments

Buhari on 19 February dismissed 26 heads of federal state-owned companies and regulatory agencies.²⁹ The dismissals are part of Buhari’s review of all contracts that the administration of former president **Goodluck Jonathan** (2010-2015) awarded. Jonathan had appointed the majority of the now dismissed agency heads. The next most senior official will replace them on an interim basis. The dismissed officials are:

¹⁷ Vanguard, 10 Mar 2016.

¹⁸ Vanguard, 10 Mar 2016.

¹⁹ This Day, 9 Mar 2016.

²⁰ This Day, 9 Mar 2016.

²¹ This Day, 9 Mar 2016.

²² Vanguard, 10 Mar 2016.

²³ Vanguard, 10 Mar 2016.

²⁴ Reuters, 16 Feb 2016.

²⁵ Reuters, 16 Feb 2016.

²⁶ Reuters, 16 Feb 2016.

²⁷ Reuters, 16 Feb 2016.

²⁸ Reuters, 16 Feb 2016.

²⁹ Vanguard, 19 Feb 2016.

- Nigerian Television Authority (NTA) – Sola Omole;
- Federal Radio Corp of Nigeria (FRCN) – Ladan Salihu;
- Voice of Nigeria (VON) – Sam Worlu;
- National Orientation Agency (NOA) – Mike Omeri;
- National Broadcasting Commission (NBC) – Emeka Mba;
- News Agency of Nigeria (NAN) – Ima Niboro;
- Petroleum Technology Development Fund (PTDF) – Femi Ajayi;
- New Partnership for Africa’s Development (NEPAD) – Ibrahim Mayaki;
- Nigeria Social Insurance Trust Fund (NSITF) – Juliet Ngozi Olejie;
- Nigerian Content Development and Monitoring Board (NCDMB) – Denzel Kentebe;
- Federal Mortgage Bank of Nigeria (FMBN) – Gimba Ya’u Kumo;
- Tertiary Education Trust Fund (TETFund) – Suleiman Bogoro;
- National Information Technology Development Agency (NITDA) – Peter Jack;
- Petroleum Equalization Fund – Asabe Asmau;
- Nigeria Railways Corp (NRC) – Bamanga Tukur;
- Bureau of Public Procurements (BPP) – Emeka Ezeh;
- Bureau of Public Enterprises (BPE) – Ngbede Oloche;
- Petroleum Products Pricing Regulatory Agency (PPPRA) – Farouk Ahmed;
- Standard Organization of Nigeria (SON) – I Odumodu;
- National Agency for Food and Drugs Administration and Control (NAFDAC) – Paul Orhii;
- Nigeria Investment Promotion Council (NIPC) – Uju Aisha Hassan Baba;
- Bank of Industry (BoI) – Rasheed A. Olaoluwa;
- National Centre for Women Development (NCWD) – Onyeka Onwenu;
- Industrial Training Fund (ITF) – Juliet Chukkas- Onaeko;
- Nigerian Export-Import Bank – Robert U. Orya;
- National Agency for Prohibition of Traffic In Persons and Other Related Matters (NAPTIP) – Beatrice Jedy-Agba.³⁰

Implications

The budget confusion signals that Buhari’s efforts to address fiscal mismanagement and corruption in government ministries, departments and agencies will take time and continued political will. The confusion will not damage Buhari’s standing with the Nigerian population and investors alike accustomed to lengthy delays to the budget.

The disruption to business activities in Nigeria will ease in the short term as Nigeria’s refineries come back online. However, they are highly unlikely to operate at full capacity in the foreseeable future. The support of the NUPENG and PENGASSAN is critical if the government is to successfully unbundle the NNPC and pass the **Petroleum Industry Bill**.

The dismissal of the heads of state agencies will raise concerns for investors about possible revisions or cancellations of contracts, licences and permits that the government finds do not meet international best practice, with possible sanctions including fines, requests for back taxes and prosecutions. It is, however, unlikely that the government will impose unilateral or arbitrary sanctions on companies out of fear that it will deter future investment.

³⁰ Vanguard, 19 Feb 2016.

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