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The government resumes Presidential Amnesty Programme cash payments to Niger Delta militants. The military deploys in greater numbers to Niger Delta, but community leaders and military officers warn this may exacerbate tensions. The economy contracts 2.1% in the second quarter as Nigeria enters recession. Proposed Emergency Economic Stabilisation Bill aims to centralise economic decision making in the presidency. The military claims to have fatally wounded Boko Haram leader Abubakar Shekau, amid challenges to his leadership from within the group.

Government resumes Presidential Amnesty Programme payments

The government on 3 August resumed cash payments to former **Niger Delta** militants under the 2009 **Presidential Amnesty Programme (PAP)**.¹ The resumption of the payments is indicative of a more conciliatory approach to the region, but is unlikely to significantly improve the security outlook in the Niger Delta. PAP coordinator and Niger Delta presidential adviser **Paul Boroh** confirmed that the **Central Bank of Nigeria (CBN)** had resumed monthly payments of 65,000 naira (N) (\$203.4) to approximately 30,000 former members of the **Movement for the Emancipation of the Niger Delta (MEND)**.² The PAP provides vocational and financial incentives for not challenging the government or disrupting oil production.³ Under the PAP, each former militant is entitled to the monthly stipend, employment training, and education opportunities both in Nigeria and abroad.

The sustainability of the PAP is unclear. The government had stopped the payments in February in an attempt to decrease budgetary pressures due to declining oil revenues. Since then, the **Niger Delta Avengers (NDA)** have started armed operations against oil and gas installations in the Niger Delta. Boroh claimed the government intended the suspension of payments to be temporary.⁴ However, the administration of President **Muhammadu Buhari** (2015- present) had previously demonstrated little political commitment to the PAP. Buhari only appointed Boroh in August 2015, almost six months after his predecessor **Kingsley Kuku** resigned following Buhari's election victory. The leadership gap at the head of the PAP resulted in increased tensions in the Niger Delta. Without a coordinator to authorise payments, international universities and companies had suspended Nigeria-government sponsored students.⁵ The 2016 budget allocates only N 20 billion (\$58.7m) to the PAP, approximately one third of the 2015 amount. In May, Buhari pledged to continue the PAP until January 2018.

*"Does more allocation mean more development? The Niger Delta states have been getting 13% extra since 1999, in addition to the **Niger Delta Development Commission**, Niger Delta Affairs ministry and the PAP. Can we say the vast majority of the Niger Delta people are better off today? Maybe bigger allocation, as good as it is, does not automatically mean bigger development."⁶*

¹ www.sweetcrudereports.com

² www.sweetcrudereports.com

³ Source, security consultant, South Africa

⁴ www.sweetcrudereports.com

⁵ Nigeria Guardian, 28 Jul 2015.

⁶ Source, media executive, Lagos

It is unclear if the Niger Delta Avengers have any substantive links to the former MEND militants who accepted the PAP. However, the indications are that the Niger Delta Avengers represent a new generation of militants. The group's emergence coincided with prominent former militant and MEND leader **Government Ekpemupolo 'Tompson'**, a "major illegal bunkerer and pirate"⁷, going on the run from the government. Nevertheless, the Niger Delta Avengers have included the expansion of the PAP amongst their political demands.⁸ The group's other demands include the immediate departure of international oil companies from the Niger Delta, more economic and political devolution to the region, and reform in the allocation of production and exploration licences.

Despite these seemingly inflexible demands, the resumption of the PAP payments is part of the government's twin track path to counter Niger Delta militancy. In a conciliatory stance, vice president **Yemi Osinbajo** and petroleum state minister **Emmanuel Ibe Kachikwu** have represented the government in talks with a committee of local community and traditional leaders headed by **Chief Edwin Kiagbodo Clark** to settle on a new development plan before the region.⁹ Talks between the MEND and government over the resumption of violence in the Niger Delta began on 25 July.¹⁰ However, the Niger Delta Avengers did not take part in the discussions.¹¹ The Niger Delta Avengers have said they will only participate in talks if international mediators are involved.

"There is ongoing jostling amongst self-proclaimed militant groups for a place at the negotiating table with government; they're seeking relevance to get a share of the largesse they expect will come."¹²

The second path is increased military deployments, with the government on 29 August launching **Operation Crocodile Smile**, a new military offensive in the region.¹³ Niger Delta community leaders are wary of this dual approach.

"Buhari has not shown sincerity. He must withdraw the military from the Niger Delta if he wants genuine discussions. We are sceptical seeing many soldiers mobilising. They should suspend any form of activity because there is an interpretation of a sinister motive in their activities."¹⁴

Community leaders have warned that the deployment increases the risk of violence spreading.

"If the military authorities go ahead to unleash their arsenal on the goose that lays the golden egg and all the strategic and volatile oil installations are affected, invariably the resultant conflagration will certainly overwhelm the entire region."¹⁵

There is equally suspicion within the military about the prospects for Operation Crocodile Smile. Previous military operations have had little impact as they struggle to dislodge militant groups from hard to access creeks.

"All factors considered, the use of military force in an attempt to resolve the lingering crisis is not a good option and must therefore be discarded. As a retired general, Buhari is well aware of the serious and daunting challenges any military will face in its operations in the most difficult and densely populated Niger Delta region. The creeks are so heavily polluted with oil, rendering them highly inflammable. It will [only] take the firing of a few high explosive shells to set the whole area on fire, resulting in inestimable collateral damage among innocent civilians. It is also difficult to see how an armed conflict can secure our oil and gas assets in the region, instead it will aid the destructive activities of the militants and lead to total shut down of all oil and gas

⁷ Source, former presidential adviser, Abuja

⁸ Africa Confidential, 27 May 2016.

⁹ This Day, 28 Aug 2016.

¹⁰ Bloomberg, 25 Jul 2016.

¹¹ Bloomberg, 25 Jul 2016.

¹² Source, energy sector consultant, Warri

¹³ Vanguard, 30 Aug 2016.

¹⁴ Source, youth leader, Niger Delta

¹⁵ Source, traditional ruler, Niger Delta

operations in the area. The Niger Delta militants cannot be said to be terrorists in the real sense of the word and I believe they are amenable to meaningful dialogue.”¹⁶

The emergence of a new group highlights the ethnic and political complexities of the PAP and broader security dynamics in the Niger Delta. The **Niger Delta Greenland Justice Mandate (NDGJM)** on 10 August claimed responsibility for an attack on a state-owned **Nigerian Petroleum Development Co (NPDC)** pipeline in the Niger Delta.¹⁷ The previous day, the NDGJM threatened to bomb oil installations if the government only negotiated with **Ijaw** ethnic groups to end the recent increase in insecurity in the Niger Delta.¹⁸ Ijaws were the main beneficiaries of the PAP. Former president **Goodluck Jonathan** (2010-2015) awarded the majority of pipeline surveillance contracts to his Ijaw ethnic group, which is in the minority in a number of key oil producing regions.

The resumption of Niger Delta militancy continues to have a commercial and economic impact. Continued depressed oil sector revenue will increase the pressure on the government to expand the tax base and introduce new taxes to meet the budget deficit.¹⁹ Kachikwu confirmed on 1 August that oil production has declined to 1.4 million barrels per day (bpd) due to increased Niger Delta militancy.²⁰ This compares unfavourably to both the 2015 average of 1.9 million bpd and to the 2016 budget target of 2.2 million bpd. The **United States Energy Information Administration (EIA)** warned on 18 August that Niger Delta militancy will suppress Nigerian oil production through 2017.²¹ The EIA's pessimistic outlook comes after Kachikwu said that the government is unlikely to reach its 2016 revenue target from the oil sector due to decreased production.²² Kachikwu noted that it would take between four and six months to reach settlement with the NDA and other militant groups and ramp up production.²³ Kachikwu expects production in 2016 to reach a maximum of 1.5 million bpd.²⁴

Nigeria enters recession

The **National Bureau of Statistics (NBS)** published data on 31 August showing that gross domestic product (GDP) contracted 2.1% year-on-year in the second quarter.²⁵ The economy contracted 0.36% in the first quarter, and a second consecutive quarterly contraction means that the economy has entered recession. Continued oil sector output disruptions, foreign exchange shortages, and increased inflation meant that the recession was not a surprise and analysts had forecast that the contraction would be closer to 1.0%.²⁶ The NBS data shows that the oil sector decreased 17.48% in April to June, compared with 1.89% in the first quarter, amid ongoing militant attacks on oil and gas infrastructure and persistent low international prices.²⁷ The non-oil sector, which in recent years has been the main driver of Nigeria's economic growth, decreased 0.38% in the second quarter compared to a 0.18% decrease in the first quarter.²⁸ Trade contracted 2.6% quarter on quarter in the second quarter signaling subdued demand.²⁹ In the non-oil sector, manufacturing contracted 3.4% year on year compared to 7.0% in the first quarter due to its dependence on imports amid ongoing foreign exchange sourcing challenges, as well as power shortages.³⁰ Construction contracted 6.3% compared to 5.4% in the first quarter due to decreased private sector demand and delays to the government's

¹⁶ Source, retired general, Nigeria

¹⁷ Vanguard, 10 Aug 2016.

¹⁸ Vanguard, 10 Aug 2016.

¹⁹ www.upi.com

²⁰ www.sweetcrudereports.com

²¹ www.upi.com

²² Vanguard, 16 Aug 2016.

²³ Vanguard, 16 Aug 2016.

²⁴ Bloomberg, 17 Aug 2016.

²⁵ www.nigerianstat.gov.ng

²⁶ FT, 1 Sept 2016.

²⁷ Www.nigerianstat.gov.ng

²⁸ Www.nigerianstat.gov.ng

²⁹ Www.nigerianstat.gov.ng

³⁰ Www.nigerianstat.gov.ng

release of budgeted capital investment.³¹ The finance and insurance sector contracted 10.8% compared to 11.3% in the first quarter.³² Agriculture, however, grew 4.5% year on year compared to 3.1% in the first quarter and the highest since the first quarter 2015 on the back of increased crop production output.³³ Public administration contracted 6.1% compared to 4.4% in the first quarter, due to decreased consumption of fixed capital and remuneration of public sector employees.³⁴

The NBS published separate data on 31 August showing that capital inflows in the second quarter decreased to the lowest on record.³⁵ Even with the devaluation of the naira, investors remain wary about the CBN's willingness to let the currency float freely and broader exchange rate uncertainty. The NBS Capital Importation report shows that foreign direct investment and portfolio investment reached \$647.1m in the second quarter.³⁶ This was a 9.0% decrease from the \$711m capital inflows in the first quarter of 2016 and a 75.7% decrease compared to the second quarter of 2015.³⁷ Second quarter portfolio investment stood at \$245.3m, foreign direct investment \$133m, and other investment \$268.8m.³⁸ All capital import categories recorded year on year decreases in the second quarter, with portfolio investment decreasing 88.8% year on year, foreign direct investment 37.0% and other investment 1.2%.³⁹ On a quarter-to-quarter basis, foreign direct investment fell the most by 23.8% and portfolio investment 9.5%.⁴⁰ Other investment increased 1.2% quarter on quarter.⁴¹ Capital inflows peaked at \$6.05 billion in the third quarter of 2014 before the price of crude oil started to decline.⁴² The office of the presidency released separate data noting that investment as a proportion of GDP had increased to 17%, the highest level since 2010.⁴³ The comparable NBS data for 2015 is 15.2%.⁴⁴ The presidency did not disaggregate the data between international and domestic investment but, in light of the NBS capital inflows statistics, it appears that the majority of the investment is domestic.

In response to continued economic challenges, Buhari is reportedly planning to petition parliament for additional legislative powers.⁴⁵ The proposal challenges Buhari's reputation as a delegator and comes amid increased frustration at the pace of reform. Osinbajo, whom Buhari charged with improving government public financial management, has designed the **Emergency Economic Stabilisation Bill**.⁴⁶ The bill aims to improve the investment environment through shoring up the currency, encouraging employment, increasing foreign reserves, reviving the manufacturing sector, and improving power supplies.⁴⁷ The bill gives the president the authority to sidestep existing legislation and use executive orders to accelerate legislative process over the next 12 months.⁴⁸ The bill allows the government to:⁴⁹

- Disregard existing procurement processes to support stimulus spending in critical economic sectors. This will involve lifting current requirements on government not to issue contract awards for six months after decision, and to advertise contracts for six weeks;

³¹ [Www.nigerianstat.gov.ng](http://www.nigerianstat.gov.ng).

³² [Www.nigerianstat.gov.ng](http://www.nigerianstat.gov.ng).

³³ [Www.nigerianstat.gov.ng](http://www.nigerianstat.gov.ng).

³⁴ [Www.nigerianstat.gov.ng](http://www.nigerianstat.gov.ng).

³⁵ [Www.nigerianstat.gov.ng](http://www.nigerianstat.gov.ng).

³⁶ [Www.nigerianstat.gov.ng](http://www.nigerianstat.gov.ng).

³⁷ Punch Nigeria, 5 May 2016.

³⁸ [Www.nigerianstat.gov.ng](http://www.nigerianstat.gov.ng).

³⁹ [Www.nigerianstat.gov.ng](http://www.nigerianstat.gov.ng).

⁴⁰ [Www.nigerianstat.gov.ng](http://www.nigerianstat.gov.ng).

⁴¹ [Www.nigerianstat.gov.ng](http://www.nigerianstat.gov.ng).

⁴² Punch Nigeria, 5 May 2016.

⁴³ This Day, 1 Sept 2016.

⁴⁴ This Day, 1 Sept 2016.

⁴⁵ The Nation, 22 Aug 2016.

⁴⁶ The Nation, 22 Aug 2016.

⁴⁷ The Nation, 22 Aug 2016.

⁴⁸ The Nation, 22 Aug 2016.

⁴⁹ The Nation, 22 Aug 2016.

- Favour local contractors in contract awards;
- Shorten and simplify the process of the president selling or leasing state assets to generate revenue. Osibanjo's economic team said the government may dispose in part or entirely of nine government assets to raise approximately \$50 billion;
- Transfer already-allocated budgeted expenditure to priority projects, without approval of the national assembly;
- Amend laws so that state governments can access funds for development projects even when they are unable to meet counterpart funding obligations;
- Reform visa issuance procedures at consular offices and at point of entry to ease visa restrictions for investors;
- Compel state agencies including the **Corporate Affairs Commission** to improve their efficiency in dealing with investors.

The government will present the bill to the national assembly when it returns from recess on 12 September. The increased financial and economic executive role will increase the powers of Buhari's inner circle. Buhari on 11 August swore in four special advisers.⁵⁰ Buhari tends to appoint close allies as advisers meaning he is often shielded from negative news and the extent of the governance challenges facing his administration. Buhari appointed the special advisers in August 2015 but has only just sworn them in.

- Senator **Babafemi Ojudu** is Buhari's special adviser on political matters.⁵¹ Ojudu is the senator for **Ekiti Central (Ekiti State)**, and was elected in May 2011 on the then opposition **Action Congress of Nigeria** (now a constituent member of Buhari's ruling **All Progressives Congress**).
- Dr **Adeyemi Dipeolu** is Buhari's special adviser on economic matters.⁵² Dipeolu is a Nigerian diplomat, who was most recently a director at the **United Nations Economic Commission for Africa**.⁵³ Since his appointment last year, Dipeolu has advocated for the privatisation of the state-owned **Nigerian National Petroleum Corp (NNPC)** and the deregulation of the downstream oil and gas sector.⁵⁴
- **Tijjani Abdullahi** is Buhari's special adviser on planning matters.⁵⁵ Buhari appointed Abdullahi budget office director general in February.⁵⁶
- **Maryam Uwais** is Buhari's special adviser on social investment matters.⁵⁷

Ojudu, Dipeolu and Uwais are based in the office of Osinbajo, his former running mate. Abdullahi is based in the budget and national planning ministry.⁵⁸ Despite Osinbajo drafting the Emergency Economic Stabilisation Bill, Buhari has reportedly not given him the requisite authority to deliver on his mandate to control government spending and reform public financial management.

*"Considerable efforts have been made to bring the chief of staff and the vice president together. However, neither the president nor his chief of staff **Alhaji Abba Kyari** trust the vice president simply because he was sponsored by [former **Lagos** governor] **Bola Tinubu** who has also sponsored a lot of the vice president staff and the vice president has no control over them. So although he is very confident, competent and a great reformer, his skills and not being used."⁵⁹*

⁵⁰ Premium Times, 11 Aug 2016.

⁵¹ Premium Times, 11 Aug 2016.

⁵² Premium Times, 11 Aug 2016.

⁵³ Daily Trust, 12 Aug 2016.

⁵⁴ Punch, 20 May 2016.

⁵⁵ Premium Times, 11 Aug 2016.

⁵⁶ This Day, 16 Feb 2016.

⁵⁷ Premium Times, 11 Aug 2016.

⁵⁸ Premium Times, 11 Aug 2016.

⁵⁹ Source, within presidential office, Abuja

Uncertainty increases around Boko Haram leadership

The leadership of **Boko Haram** appears in flux due to infighting and military claims of successful airstrikes against senior members. On 23 August, the military claimed that the air force had fatally wounded Boko Haram leader **Abubakar Shekau** in airstrikes in **Sambisa Forest (Borno State)**.⁶⁰ The military claimed that the airstrikes had killed approximately 300 militants including senior leaders.⁶¹ However, the military has previously prematurely claimed the death of Shekau and there is no independent verification of the claims.

The position of Shekau in the Boko Haram leadership is also unclear after the group reportedly replaced him as leader on 3 August.⁶² The leadership uncertainty is indicative of long-standing divisions at the top of the group. The **Islamic State** militant group in its **al-Naba** publication named **Abu Musab al-Barnawi** as Shekau's successor.⁶³ Shekau has, however, insisted that he remains leader of Boko Haram and, in an audio tape on 4 August, criticised Barnawi for undermining him.⁶⁴ Barnawi is Boko Haram's military commander and reportedly favours attacks on the Nigerian military rather than civilians.⁶⁵ Barnawi is based near **Maiduguri (Borno State)**.⁶⁶ Shekau appeared in a video on 8 August with a group of heavily armed fighters and vowed to remain Boko Haram's leader.⁶⁷ The relationship between Islamic State and Boko Haram is largely symbolic, with Boko Haram enjoying stronger operational ties with **West Africa**-based militant groups **Movement for Oneness and Jihad in West Africa (MUJAO)** and **Al Qaeda in the Maghreb (AQIM)**.⁶⁸ Boko Haram is a loose grouping of ideological, political and criminal elements, which means that it is prone to factionalism and infighting.

Implications

The resumption of PAP payments is unlikely to significantly improve the short-term security outlook in the Niger Delta. The breadth of the NDA's political demands means a negotiated settlement is unlikely and attacks on pipelines and export terminals will continue. However, the dual track approach towards Boko Haram provides a template for longer-term success at containing, if not ending, militancy. The resumption of the PAP payments may prove counterproductive, as militant groups will view it as a reward for reverting to former violent strategies. The Buhari administration, or its successors, will find ending the payments politically unpalatable.

Nigeria's entry into recession was not unexpected amid depressed oil prices and declining capital inflows. The official announcement will, however, increase the pressure on Buhari to improve his administration's management of the foreign exchange system and to address the shortage of hard currency. Centralising decision-making within the presidency will mean Buhari is held personally responsible for this.

Regardless of the exact status of Shekau, the government's dual strategy to counter Boko Haram using a combination of amnesty offers and military actions appears to be reaping some rewards. Boko Haram activity has declined in recent months – both due to the government's counter-insurgency strategy and increased factionalism – with attacks focused on softer targets. However, the government's strategy does not address the political and economic grievances that led to the emergence of Boko Haram. Longer-term peace and stability, as in the Niger Delta, will require a negotiated political settlement.

⁶⁰ Vanguard, 23 Aug 2016.

⁶¹ Vanguard, 23 Aug 2016.

⁶² This Day, 7 Aug 2016.

⁶³ This Day, 7 Aug 2016.

⁶⁴ This Day, 7 Aug 2016.

⁶⁵ This Day, 7 Aug 2016.

⁶⁶ This Day, 7 Aug 2016.

⁶⁷ This Day, 8 Aug 2016.

⁶⁸ www.peccaviconsulting.com

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