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The Islamic State in West Africa (Boko Haram) abducts over 100 female pupils from a government school in Dapchi in Yobe State. The high-profile attack damages the credibility of the President Muhammadu Buhari (2015-present) government which has often declared the end of Boko Haram. The International Monetary Fund (IMF) projects increased growth but warns that the Economic Recovery and Growth Plan has not yet increased non-oil sector activity. State petroleum minister Emmanuel Ibe Kachikwu sets out the government's plans for oil sector investment, with emphasis on local participation.

Boko Haram abducts 100 female pupils in Dapchi

The **Islamic State in West Africa (Boko Haram)** abducts over 100 female pupils in an attack on a government school in **Dapchi** in **Bursari Local Government Area (Yobe State)** on 20 February.¹ The attack threatens to embarrass the Buhari administration which has regularly declared the defeat of Boko Haram. The attack followed military claims about strategic gains against Boko Haram. Similar statements in the past have triggered an increase in militant activity, raising questions about the efficacy of the government's territory-based strategy.²

"I see a level of complacency at play and also that the government uses territory control [rather than security gains] as a yardstick for success against Boko Haram."³

The Boko Haram militants reportedly met no resistance as they carried out the attack in government military uniforms.⁴ The government first sought to downplay the seriousness of the attack, with the Yobe State governor, **Ibrahim Gidan**, initially downplaying the number of girls seized and claiming the military had successfully rescued dozens of the seized students during a "gallant" operation.⁵ Gidan subsequently apologised for his "misleading"⁶ statements which appear to have damaged trust in the government. The government only confirmed in a statement on 25 February that 110 female pupils are missing.⁷

The kidnap of 276 female students in **Chibok** in 2014 undermined the credibility of the then President **Goodluck Jonathan** (2010-2015) administration.⁸ The **Bring Back Our Girls** non-governmental organisation (NGO), which emerged to secure the release of the Chibok girls and publicly criticised Jonathan, has subsequently accused President **Muhammadu Buhari** (2015-present) of "incompetence and carelessness" for failing to prevent the Dapchi attack.⁹

"Another mass abduction a year before general elections seems too bad to be true. This could not have come at a worse time for the president who is seeking another term in office. There appears

¹ Vanguard, 25 Feb 2018.

² Source, senior INGO official, northern Nigeria.

³ Source, security consultant, South Africa.

⁴ Punch, 25 Feb 2018.

⁵ Vanguard, 25 Feb 2018.

⁶ Vanguard, 25 Feb 2018.

⁷ Punch, 25 Feb 2018.

⁸ Source, analyst, Lagos.

⁹ Reuters, 13 Mar 2018.

to be a widening credibility and sincerity gap and some believe that the misinformation and propaganda from the administration have led to an increased number of attacks on soft targets such as markets, places of worship and schools by a force which is reportedly sacked but is somehow managing to organise attacks on a regular basis. Some serious soul-searching is required by those in charge of security matters. Why on earth are girls still being allowed in schools in that volatile part of the country? There is a need to overhaul the school system to protect children until normalcy truly returns to the North East.”¹⁰

The attack has triggered popular – but unsubstantiated – conspiracy theories about government complicity.

*“A key issue which President Buhari must seriously look into is the issue of saboteurs within the military brass. The international media recently aired a report of how the Nigerian military was stopped from killing or capturing **Abubakar Shekau**, the leader of Boko Haram, by a controversial order ‘from above’ which delayed them for four days. Those within the ranks of the military who give controversial orders that impede efforts to crush the insurgency should be court-martialled and punished appropriately.”¹¹*

The attack has also triggered intra-security agency turf wars. The army claimed on 26 February that its forces were redeployed from Dapchi to **Kanama** near the **Niger** border and transferred responsibility for Dapchi to the police due to its relative security.¹² However, Yobe State police commissioner **Sumonu Abdulmaliki** issued a statement on the same day claiming reports that the army had transferred responsibility for Dapchi’s security to the police as “*untrue, unfounded and misleading*”.¹³ The dispute is linked to the budgets of respective security agencies.

“My overarching theory is that some don’t want defence spending to dip. They may be less complicit than they are complacent with regard to Boko Haram.”¹⁴

Boko Haram is a loose grouping of ideological, political and criminal elements, which means that it is prone to factionalism and infighting. There are two rival groups operating under the Boko Haram banner: one led by the group’s long-standing leadership under Shekau and one by the group’s military commander, **Abu Musab al-Barnawi**. The government has reportedly blamed the al-Barnawi faction, which has previously tended to attack military rather than civilian targets, for the Dapchi attack.¹⁵

Ongoing insecurity and public criticism of Buhari may deter him from standing in the 2019 presidential election. Security is likely to deteriorate ahead of the general election as militant groups look to secure concessions from a government that needs to demonstrate its security credentials to shore up popular support.

IMF provides mixed overview of economic outlook

The **International Monetary Fund (IMF)** concluded its Article IV consultation with **Nigeria** on 5 March.¹⁶ The IMF provided a mixed overview of Nigeria’s macroeconomic position. The IMF noted that both growth and inflation had improved in 2017. Growth was 0.8%, largely due to increased domestic oil production and the recovery in international oil prices. Inflation decreased from 18.5% year-on-year at the end of 2016 to 15.4% at the end of 2017.¹⁷ The IMF projects that growth will reach 2.1% in 2018, on the back of increased foreign exchange availability and improved oil

¹⁰ Source, policy analyst, Lagos.

¹¹ Source, journalist, Nigeria.

¹² Reuters, 26 Feb 2018.

¹³ Reuters, 26 Feb 2018.

¹⁴ Source, security consultant, South Africa.

¹⁵ Punch, 25 Feb 2018.

¹⁶ www.imf.org.

¹⁷ www.imf.org.

production.¹⁸ The IMF welcomed the implementation of the government's **Economic Recovery and Growth Plan** in improving the business environment,

*"including the start of a convergence in foreign exchange windows, tight monetary policy, improvements in tax administration, and significant strides in improving the business environment."*¹⁹

However, the IMF cautioned that reforms under the Economic Recovery and Growth Plan had not yet increased non-oil sector activity.²⁰ The IMF warned that growth will plateau, with decreases in per capita real gross domestic product (GDP) in the medium term unless the government reforms its economic and fiscal policies due to weak revenue mobilisation and tight financing conditions.²¹ In particular, the IMF called on the government to improve its tax administration through *"ambitious"* reforms including *"reforming the value-added tax, increasing excises, and rationalising tax incentives"*.²²

Subsequently, the finance ministry announced on 11 March that it plans to increase excise duties on tobacco and alcoholic drinks.²³ In addition to a 20% tax on tobacco, the government will introduce an extra fixed tax per cigarette.²⁴ The government will replace a percentage tax on alcoholic drinks with fixed taxes according to volume.²⁵ The changes will take effect from 4 June.²⁶ The move was not a response to the IMF report, but is in line with an **Economic Community of West African States (ECOWAS)** directive to harmonise excise duties across ECOWAS member states. The new taxes may negatively impact consumer demand amid the continued low growth.

The IMF projects that the fiscal deficit will narrow, and public debt levels will remain relatively low even as the interest payments to government revenue will remain high.²⁷ The IMF findings about public debt levels came after Nigeria successfully issued a \$2.5 billion Eurobond on 15 February.²⁸ The government will use the funds to refinance higher-yielding naira debt suggesting further yield compression on domestic government bonds.²⁹ The issue was a dual series offering: \$1.25 billion in 12-year notes with a yield of 7.14% and \$1.25 billion in 20-year notes with a yield of 7.7%.³⁰ Prior to the issuance, ratings agencies **Fitch** and **Standard & Poor's** rated the Eurobond notes B+ (EXP) and B respectively.³¹ The issue attracted an order book of more than \$11.5 billion, which the **Debt Management Office (DMO)** described as a *"peak order book"*.³² Following the issue, the yields of Nigeria's existing 30-year notes, issued in November 2017, increased six basis points to 7.7% on 15 February, the highest since their issue.³³ At the end of September 2017, the international capital proportion of Nigeria's external debt stock was \$3.3 billion, equivalent to 21.5% of external debt stock.³⁴ Analysts estimate the ratio is now closer to 50%.³⁵

The IMF concludes that the risk outlook is balanced. The most significant downside risks are lower-than-projected oil prices and tighter external market conditions.³⁶ Domestic risks include the

¹⁸ www.imf.org.

¹⁹ www.imf.org.

²⁰ www.imf.org.

²¹ www.imf.org.

²² www.imf.org.

²³ Vanguard, 11 Mar 2017.

²⁴ Vanguard, 11 Mar 2017.

²⁵ Vanguard, 11 Mar 2017.

²⁶ Vanguard, 11 Mar 2017.

²⁷ This Day, 20 Feb 2018.

²⁸ Bloomberg, 16 Feb 2018.

²⁹ Bloomberg, 16 Feb 2018.

³⁰ Bloomberg, 16 Feb 2018.

³¹ Reuters, 14 Feb 2018.

³² Bloomberg, 16 Feb 2018.

³³ Bloomberg, 16 Feb 2018.

³⁴ Source, analyst, Lagos.

³⁵ Source, analyst, Lagos.

³⁶ www.imf.org.

deteriorating security situation, especially in the oil-producing **Niger Delta**, delayed fiscal policy response, poor implementation of structural reforms, the continued exposure of external and public debt to oil exports and naira depreciation.³⁷ Upside risks include faster-than-expected implementation of infrastructure projects, and further increases in international oil prices.

While Nigeria's economic outlook is broadly positive, transition to a diversified private sector-led economy will require significant structural reform. It is unlikely that the government will embark on this ahead of the 2019 election. This reform is a prerequisite if Nigeria is to secure the investment necessary to bridge the infrastructure and power sector deficits to deliver long-term improvements to the business environment, and the sustainable growth to address poverty and unemployment.

Government sets out oil sector investment plans

State petroleum minister **Emmanuel Ibe Kachikwu** told the **Nigerian International Petroleum Summit (NIPS)** in **Abuja** on 19 February that the government is targeting \$40 billion in oil sector investments over the next five years.³⁸ Kachikwu acknowledged the feasibility of the investment target is dependent on the appropriateness and effectiveness of government regulation and policies. Kachikwu is aiming to increase local ownership across the oil sector from 10% currently to 50% within 10 years.³⁹ To contribute to this target, Kachikwu pledged that a planned floating production storage and offloading (FPSO) oil platform would be built entirely domestically.⁴⁰ Kachikwu will continue to prioritise the rehabilitation of Nigeria's dilapidated refineries, aiming to increase their utilisation capacity from 14% currently to between 90 and 95% within 18 to 20 months.⁴¹ Kachikwu said the government plans to announce private sector investors in its existing refineries in March.⁴² The NNPC is reportedly in the final stages of negotiations with two consortiums over the rehabilitation of Nigeria's refineries. The consortium for the **Warri (Delta State)** and the **Kaduna State** refinery includes **Switzerland**-based **Vitol Group**, **Italy**-based engineering and oil exploration group **Saipem**, a subsidiary of the **Italy**-based oil group **ENI SpA**, **United States (US)**-based **General Electric Co**, and domestic traders **Sahara Group** and **MRS Oil Nigeria Plc**.⁴³ The second consortium includes **Singapore**-based oil trader **Trafigura Pte Ltd**, **Eni**, **Spain**-based **Cepsa CPF.GQ**, and domestic company **Oando Plc**.⁴⁴ The original refinery builders will undertake the rehabilitation work itself. The state-owned **Nigerian National Petroleum Corp (NNPC)** expects the rehabilitation to finish before the end of 2019.⁴⁵ Kachikwu raised the possibility of compelling international oil companies to develop refining facilities in Nigeria.⁴⁶

Private sector investment alone is insufficient to increase local refining capacity to end dependency on imported fuel. Regulated low gasoline and domestic fuel prices, combined with tense labour relations, will mean that both Nigeria's upstream and downstream sectors remain fragile without regulatory reform, which is unlikely before the 2019 election.

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;

³⁷ www.imf.org.

³⁸ The Nation, 20 Feb 2018.

³⁹ This Day, 20 Feb 2018.

⁴⁰ This Day, 20 Feb 2018.

⁴¹ The Nation, 20 Feb 2018.

⁴² Reuters, 20 Feb 2018.

⁴³ Reuters, 27 Feb 2018.

⁴⁴ Reuters, 27 Feb 2018.

⁴⁵ Source, analyst, Lagos.

⁴⁶ This Day, 20 Feb 2018.

1 Dec 2018 **(Nigeria) Vanguard**. Campaigning to begin for governorships and state assembly elections;

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

14 Mar 2018 **Abuja (Nigeria) Punch**. The senate says date for passage of **2018 Appropriation Bill** remains unclear;

12 Mar 2018 **(Nigeria) Guardian**. The \$12 billion **Trans-Saharan Gas Pipeline project (TSGP)** will not meet 2018 completion deadline;

11 Mar 2018 **Abuja (Nigeria) Vanguard**. The finance ministry plans to increase excise duties on tobacco and alcoholic drinks;

7 Mar 2018 **Abuja (Nigeria) Reuters**. Parliament passes anti-money laundering and counter-terrorism financing legislation;

6 Mar 2018 **Lagos (Nigeria) This Day**. **Lagos State** governor **Akinwunmi Ambode** justifies increase of land use charge by 200 to 500%;

6 Mar 2018 **Lagos (Nigeria) Reuters**. **Oando Plc** drops its lawsuit against the **Securities and Exchange Commission**;

5 Mar 2018 **Abuja (Nigeria) Reuters**. The **National Bureau of Statistics (NBS)** publishes data showing a positive 4.0 trillion naira (N) (\$11.2 billion) trade balance in 2017;

1 Mar 2018 **Abuja (Nigeria) Reuters**. The NBS publishes data showing that capital inflows increased 29.9% in fourth quarter 2017 to reach \$5.32 billion;

28 Feb 2018 **Lagos (Nigeria) Reuters**. **MTN Group** plans to list Nigerian unit on **Nigeria Stock Exchange** by July;

26 Feb 2018 **Abuja (Nigeria) Punch**. The government says implementation of new national minimum wage will begin in third quarter;

26 Feb 2018 **Abuja (Nigeria) Punch**. The finance minister, **Kemi Adeosun**, meets the **China Development Bank** to discuss infrastructure financing;

22 Feb 2018 **Abuja (Nigeria) The Nation**. The **Federal Inland Revenue Services** is targeting N6.7 trillion (\$18.6 billion) tax revenue this year, of which non-oil tax revenue accounts for 58.6%;

19 Feb 2018 **(Nigeria) The Nation**. State petroleum minister, **Emmanuel Ibe Kachikwu**, tells the **Nigerian International Petroleum Summit** that the government is targeting \$40 billion in oil sector investments over the next five years;

16 Feb 2018 **(Nigeria) Press release**. The **World Bank Group's International Development Association (IDA)** extends \$486m in credit and a scale-up facility to rehabilitate and upgrade Nigeria's electricity transmission infrastructure;

15 Feb 2018 **(Nigeria)** *Reuters*. The government issues \$2.5 billion Eurobond under the **Global Medium Term Note Programme**;

15 Feb 2018 **Abuja (Nigeria)** *Punch*. **Fitch** warns that several tier-2 banks will fall below the capital adequacy ratio should the naira depreciate to 450 to the dollar;

15 Feb 2018 **Rivers (Nigeria)** *The Nation*. **General Electric** signs service agreement with the **Shell Petroleum Development Co** for the 650 MW **Afam VI** combined cycle power.