

## AFRICA RISK CONSULTING

### Nigeria Monthly Briefing April 2018

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#### Nigeria Summary 6 April 2018

*President Muhammadu Buhari (2015-present) dismisses Presidential Amnesty Programme coordinator Paul Boroh. The Office of the National Security Adviser (ONSA) and the Economic and Financial Crimes Commission (EFCC) subsequently arrest Boroh amid corruption allegations. Boroh's successor is Charles Dokubo, the research director at the Nigerian Institute of International Affairs think-tank. The National Assembly requests the extension of the 2017 budget to 31 May due to continued delays to the 2018 budget resulting in tensions between the executive and legislature. Buhari declines to sign the framework to establish the African Continental Free-Trade Area (AfCFTA) due to concerns about the impact on domestic manufacturing sector.*

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#### Buhari dismisses Presidential Amnesty Programme head

President **Muhammadu Buhari** (2015-present) dismissed **Presidential Amnesty Programme** coordinator and **Niger Delta** presidential adviser, retired brigadier general **Paul Boroh**, on 13 March.<sup>1</sup> The dismissal was not a surprise. There was speculation about Boroh's departure for several months as former Niger Delta militants, including **Coalition of Urhobo Ex-militant Leaders** chairman **Collins Arigo**, increasingly criticised Boroh's management of the Presidential Amnesty Programme including delays to payments and a lack of meaningful consultation.<sup>2</sup> In August 2017, the non-governmental organisation **Niger Deltans for Good Governance** petitioned Buhari to suspend Boroh for failing to pay tuition fees and living expenses of Niger Delta students studying in the **United States** and the **United Kingdom** under the Presidential Amnesty Programme.<sup>3</sup> However, the trigger for Boroh's dismissal appears to be Buhari instructing an **Office of the National Security Adviser (ONSA)** investigation into allegations of "*financial impropriety*"<sup>4</sup> at the Presidential Amnesty Programme since 2015.<sup>5</sup> Buhari appointed Boroh in August 2015. In September 2016, former militants accused Boroh of misappropriating \$700,000 by inflating the number of former militants undergoing training in underwater welding in **St Kitts and Nevis**.<sup>6</sup> On 21 March, the ONSA and the **Economic and Financial Crimes Commission (EFCC)** arrested Boroh and reportedly discovered \$9m in cash at his residence in **Gwarinpa (Abuja)**.<sup>7</sup> Boroh denies that any funds were seized during the search.<sup>8</sup>

Boroh retains some support in the Niger Delta. The **Reformed Niger Delta Avengers** and 10 other militant groups threatened on 20 March to attack oil installations in the Niger Delta if the government does not reinstate Boroh within four weeks.<sup>9</sup>

*"The federal government will hear from us at the expiration of the four weeks ultimatum as no single stone will be left unturned as the administration prefers to go back to the recession period"*

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<sup>1</sup> Premium Times, 13 Mar 2018.

<sup>2</sup> Premium Times, 13 Mar 2018.

<sup>3</sup> This Day, 21 Mar 2018.

<sup>4</sup> Premium Times, 13 Mar 2018.

<sup>5</sup> Premium Times, 13 Mar 2018.

<sup>6</sup> Sahara Reporters, 12 Sept 2016.

<sup>7</sup> This Day, 21 Mar 2018.

<sup>8</sup> Vanguard, 21 Mar 2018.

<sup>9</sup> This Day, 21 Mar 2018.

*when Boroh played a major role by visiting the creeks with other stakeholders to prevail on the boys to drop their arms and embrace peace. We will embark on a well-coordinated destruction of all major delivery oil pipelines after the expiration of the four weeks ultimatum without looking back.”<sup>10</sup>*

The government is, however, unlikely to reinstate Boroh, especially following his subsequent arrest.<sup>11</sup> Buhari appointed **Charles Dokubo** as coordinator of the Presidential Amnesty Programme on the same day he dismissed Boroh.<sup>12</sup> Dokubo is currently the research director at the **Nigerian Institute of International Affairs** think tank.<sup>13</sup> Dokubo will now oversee the Presidential Amnesty Programme which provides a monthly payment of 65,000 naira (N) (\$213), considerably higher than the national minimum wage of N18,500 (\$51.6), plus education and job training for former militants to facilitate their reintegration into Nigerian society and deter attacks on oil installations.

The Presidential Amnesty Programme has proved broadly effective. The resurgence of Niger Delta militancy in 2016 cut oil output significantly and was a response to concerns that Buhari was looking to end the scheme due to concerns about expenditure on the Niger Delta (*see ARC Briefing Nigeria August 2015*).<sup>14</sup> The draft 2018 budget allocates N65 billion (\$181.3m) to the amnesty programme, N71.2 billion (\$198.6m) to the **Niger Delta Commission**, N53.9 billion (\$150.3m) to the Niger Delta affairs ministry, and a statutory 13% oil derivation payment to oil producing states.<sup>15</sup> In 2016, Boroh successfully lobbied Buhari to phase out the amnesty slowly rather than end it entirely.<sup>16</sup>

It is unclear if Dokubo will have a different approach to Boroh over the management of the Presidential Amnesty Programme. In a 2000 journal article that foresaw the emergence of militancy in the Niger Delta through the **Movement for the Emancipation of the Niger Delta** between 2007 and 2010, Dokubo called on the government to revise its oil revenue-sharing formula for the region.<sup>17</sup> Analysts view this as a more sustainable model to end violence in the Niger Delta rather than the amnesty programme, which does not address the underlying causes of militancy.<sup>18</sup> The success or otherwise of the Presidential Amnesty Programme has national implications due to the possibility of replicating it in northern Nigeria. The information minister, **Lai Mohammed**, confirmed on 25 March that the government is in talks with the **Islamic State in West Africa (Boko Haram)** over a possible “*permanent cessation of hostilities*”.<sup>19</sup>

Government amnesty programmes will become increasingly politically sensitive ahead of the February 2019 election. The drawback of the amnesty programme – the incentives it offers youth to join militant groups to benefit financially from then leaving them – will become clear before the next 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.

### **Budget is delayed until May**

The **National Assembly** requested the extension of the 2017 budget to 31 May on 27 March following repeated delays.<sup>20</sup> The extension of the current budget will undermine the credibility of the government’s public financial management and increase investor uncertainty.<sup>21</sup> **House of**

<sup>10</sup> This Day, 21 Mar 2018.

<sup>11</sup> Source, analyst, Lagos

<sup>12</sup> Premium Times, 13 Mar 2018.

<sup>13</sup> Premium Times, 13 Mar 2018.

<sup>14</sup> CNBC, 14 Mar 2018.

<sup>15</sup> www.budgetoffice.gov.ng

<sup>16</sup> CNBC, 14 Mar 2018.

<sup>17</sup> CNBC, 14 Mar 2018.

<sup>18</sup> CNBC, 14 Mar 2018.

<sup>19</sup> Reuters, 25 Mar 2018.

<sup>20</sup> Premium Times, 27 Mar 2018.

<sup>21</sup> Source, analyst, South Africa

**Representatives** speaker **Yakubu Dogara** had said on 21 March that both chambers of parliament aim to receive the N8.61 trillion (\$24 billion) budget for 2018 on 19 April and pass it by 24 April.<sup>22</sup> House of Representatives appropriations committee chairman **Mustapha Dawaki** subsequently petitioned the federal accountant general, **Ahmed Idris**, to extend the 2017 budget which was due to expire at the end of March.<sup>23</sup> Should parliament pass the budget, and Buhari approve it in sufficient time, Idris will close the 2017 budget prior to 31 May.<sup>24</sup> Dogara called on all government contractors to continue working on projects until the budget process is completed.<sup>25</sup> However, the private sector is concerned about the impact of the delayed budget:

*"The delay in the passage and implementation of the 2018 Appropriation Bill is not good for the capital market and the economy in general."<sup>26</sup>*

When he presented the draft 2018 budget to the National Assembly on 7 November 2017, Buhari called for its speedy passage to meet Nigeria's January to December budget cycle.<sup>27</sup> The 2017 budget was only passed in May, with Buhari pledging then to expedite the process so that the 2018 budget would be in place by 1 January 2018 to align with the start of the budget cycle.<sup>28</sup> Failure to have budgets in place before the start of the cycle is a long-standing issue that predates Buhari and is due to poor financial management and policy implementation.

*"It appears to have become a tradition in this democratic dispensation for the budget to be unduly delayed thereby plunging the economy into a state of inertia, particularly in the first quarter of the year."<sup>29</sup>*

Even if not unexpected, the delay is likely to impact investor confidence.

*"This development does not augur well for the stock market, as share prices of firms in the agriculture sector, industrial goods sector and construction sector will be worst hit. If the delay drags on for too long, it can heighten uncertainty in the market. It has the potential to scare away foreign investors whose presence is being felt now due to the current investors' confidence in the country's economy following recovery in crude oil prices."<sup>30</sup>*

The reason for the delay is the National Assembly's concern about the accuracy of financial figures that government ministries, departments and agencies have provided.<sup>31</sup> Senate president **Abubakar Bukola Saraki** has claimed that revenue figures have typically been out by over 50%.<sup>32</sup>

*"By the provisions of the **Fiscal Responsibility Act**, the budget ought to have been passed in December. That means that it is already late. It is disappointing for the country that we are in April and the budget for 2018 has not been passed. For a government that says it wants to carry out development for the country, this is a huge disappointment that almost four months into the year, it hasn't been able to push through its budget. My advice is that the legislature must insist on being detailed and the ministers must simply go and defend their proposals as quickly as possible. It is for the good of all of us."<sup>33</sup>*

Delays in government officials appearing before parliament to defend their budget submissions have caused significant tensions between the executive and the legislature.<sup>34</sup>

<sup>22</sup> Premium Times, 27 Mar 2018.

<sup>23</sup> Premium Times, 27 Mar 2018.

<sup>24</sup> Premium Times, 27 Mar 2018.

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

<sup>26</sup> Source, stockbroker, Lagos

<sup>27</sup> NAN, 2 Apr 2018.

<sup>28</sup> NAN, 2 Apr 2018.

<sup>29</sup> Source, private sector executive, Lagos

<sup>30</sup> Source, academic, Nigeria

<sup>31</sup> Premium Times, 27 Mar 2018.

<sup>32</sup> Premium Times, 27 Mar 2018.

<sup>33</sup> Source, lawyer, Lagos

<sup>34</sup> Premium Times, 27 Mar 2018.

*"It has a serious implication on the economy. In fact, whoever is delaying the passage of the budget should be sanctioned. It is disrespect to the National Assembly. Everybody has got his own responsibility in running this government. The ministers and the government are supposed to work harmoniously. But unfortunately, some people are out to sabotage this government. The impunity of some government functionaries is becoming something else and is not helping the government. Some of them believe that the president is not in charge, so they are disregarding him. My opinion is that Buhari should sanction them. He gave them instructions to go and defend the budget; they refused. It portends danger to the government."*<sup>35</sup>

Saraki called on the government to introduce stronger oversight frameworks to project and manage independent revenues.<sup>36</sup> Other issues include competing priorities between the executive and the legislature, and more intensive corruption checks on capital projects.<sup>37</sup> This has stalled economic and monetary policy making.

*"From December 2017, those who are directly in charge of the budget consideration had told the public that serious work would not commence until 2018. The position was not helped by bureaucratic personnel who did not appear before the National Assembly committees as and when scheduled. The fiscal policy side is held to ransom, the monetary side is also in limbo by not approving members that should consider and approve the **Central Bank of Nigeria's** monetary policy proposals. These are the two major economic policies that drive economic activities. There is the need for a change of attitude for the economy to move forward, and in the right direction."*<sup>38</sup>

The opposition is looking to politicise the delay ahead of the 2019 general election.

*"The implication of the delayed passage is very grave on the economy. It is also very horrifying for the citizens of this country whose poverty endurance has been stretched beyond tolerable limit. By not passing the budget, it has held up all capital expenditures expected to stimulate growth. I won't blame the National Assembly for insisting that whatever is proposed is defended. It is height of arrogance and insensitivity for the ministries, departments and agencies not to submit to the National Assembly their budget defence. It adds up to the fact that the president is not in control. And I don't see why any minister should remain in office, if he has contributed in any way in making it difficult for the budget to be passed. Any minister who has not defended his budget up till now, can be described as a cog in the wheel of progress of the country. Such person has no business being in office and earning tax payers' money. What I am worried about is the president sitting down unconcerned, while his men are behaving this way and he is doing nothing about it."*<sup>39</sup>

This has added to a sense of popular frustration with policy deliverance under Buhari ahead of the election.

*"Less than a year from now, it will be a general election period and the budget before the year has not been appropriated by the authorities. It will be inadequate for the budget to be now appropriated in late April when it will be a time of heavy rainfall which means infrastructure will be quite challenging to fix. Budget delay which is fast becoming a common practice is one of the factors responsible for failed expectations from the electorate and economic instability regardless of great potential in the nation's economy."*<sup>40</sup>

The budget delay increases the risk of revenue leakages and inconsistencies in government fiscal policy. This may prove embarrassing for Buhari before the election.

<sup>35</sup> Source, senator, Abuja

<sup>36</sup> Premium Times, 27 Mar 2018.

<sup>37</sup> CNBC, 28 Mar 2018.

<sup>38</sup> Source, economics academic, Nigeria

<sup>39</sup> Source, opposition leader, Abuja

<sup>40</sup> Source, economist, Lagos

## Nigeria refuses to sign up to African Continental Free-Trade Area

Buhari declined to sign the framework to establish the **African Continental Free-Trade Area (AfCFTA)** at the **African Union** summit in **Kigali (Rwanda)** on 21 March.<sup>41</sup> Buhari's withdrawal is indicative of continued protectionist inclinations within the government, business and labour circles. Buhari said the government would require further domestic consultations to ensure the additional external competition of the AfCFTA will not harm the domestic manufacturing sector including the risk of goods dumping.<sup>42</sup> Buhari established on 27 March a committee to undertake the necessary consultations and gave them two weeks in which to report back to the cabinet.<sup>43</sup> The presidential committee petitioned Buhari for a two-week extension to its mandate on 6 April.<sup>44</sup>

The **Manufacturers Association of Nigeria (MAN)** welcomed the additional consultations.<sup>45</sup> The MAN did not reject the AfCFTA entirely but criticised specific provisions within the draft agreement.<sup>46</sup> Notably, the MAN called for greater clarity about how governments are expected to immediately remove tariffs on 90% of goods and the eventual phasing out of tariffs on the remaining 10% of 'sensitive items', and about the enforcement mechanism for rules of origin.<sup>47</sup> As well as the removal of tariffs, the AfCFTA will also aim to reduce non-tariff barriers to trade.<sup>48</sup> Intra-African trade is projected to increase 52.3% with the removal of tariffs, and double with the further removal of non-tariff barriers.<sup>49</sup> The AfCFTA aims to create a trade bloc of 1.2 billion people with a combined gross domestic product (GDP) of approximately \$2.5 trillion, with business-to-business consumption of \$4.2 trillion.<sup>50</sup> However, the credibility of the AfCFTA was undermined by Nigeria and **South Africa**, Africa's two largest economies, being amongst the 11 members states that refused to sign. South Africa's President **Cyril Ramaphosa** (2018-present) also called for additional domestic consultation but said South Africa would sign once domestic legal requirements are satisfied.<sup>51</sup>

The failure to sign the AfCFTA framework is indicative of the vested domestic political interests acting as a bottleneck to Buhari's other economic reform initiatives, including the restructuring of the upstream and downstream oil and gas sectors, and the diversification of the economy away from its dependence on oil.

### 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;
- 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;

<sup>41</sup> [www.africanews.com](http://www.africanews.com)

<sup>42</sup> [www.africanews.com](http://www.africanews.com)

<sup>43</sup> [www.africanews.com](http://www.africanews.com)

<sup>44</sup> This Day, 6 Apr 2018.

<sup>45</sup> [www.SaharaReporters.com](http://www.SaharaReporters.com).

<sup>46</sup> [www.SaharaReporters.com](http://www.SaharaReporters.com).

<sup>47</sup> [www.SaharaReporters.com](http://www.SaharaReporters.com).

<sup>48</sup> [www.africanews.com](http://www.africanews.com).

<sup>49</sup> Wall Street Journal, 21 Mar 2018.

<sup>50</sup> [www.africanews.com](http://www.africanews.com).

<sup>51</sup> IOL, 22 Mar 2018.

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

4 Apr 2018 **Abuja (Nigeria)** *Reuters*. The **Central Bank of Nigeria (CBN)** keeps main interest rate at 14%, where it has been since July 2016;

4 Apr 2018 **Abuja (Nigeria)** *Bloomberg*. President **Muhammadu Buhari** approves \$1 billion in new weapons purchases;

3 Apr 2018 **(Nigeria)** *Punch*. Active oil rigs reach 35 in February, a three-year high, from a record low of 23 in December 2016;

2 Apr 2018 **Abuja (Nigeria)** *Punch*. CBN data shows that the federal government recorded a N2.1 trillion (\$5.9 billion) fiscal deficit in its operations in 2017;

2 Apr 2018 **Lagos (Nigeria)** *This Day*. Buhari reiterates the federal government's commitment to developing the \$1.5 billion **Lekki Deep Sea Port**;

27 Mar 2018 **Abuja (Nigeria)** *Punch*. The **Senate** passes the harmonised version of the **Petroleum Industry Governance Bill (PIGB)**, which still requires Buhari's assent;

27 Mar 2018 **Abuja (Nigeria)** *Vanguard*. The government says it did not join the **African Continental Free-Trade Area (AfCFTA)** because it wants to allow for further domestic consultation;

27 Mar 2018 **Abuja (Nigeria)** *The Nation*. The **National Assembly** delays passage of budget until May;

26 Mar 2018 **(Nigeria)** *Reuters*. Nigeria and **Switzerland** sign a memorandum of understanding to facilitate return of illegally-acquired assets;

25 Mar 2018 **(Nigeria)** *Punch*. The **Major Oil Marketers Association of Nigeria** and the **Depot and Petroleum Products Marketers Association of Nigeria** oppose single oil sector regulator as provided for in the PIGB;

22 Mar 2018 **Abuja (Nigeria)** *Punch*. The Senate approves the appointments of CBN deputy governors **Aishah Ahmad** and **Edward Adamu** and three of four monetary policy committee members;

20 Mar 2018 **Abuja (Nigeria)** *Twitter*. The finance minister, **Kemi Adeosun**, downplays concerns about debt levels, arguing public debt is equivalent to 21% of GDP;

20 Mar 2018 **Lagos (Nigeria)** *Bloomberg*. **United States**-based private equity firm **Milost Global Inc** will inject \$1 billion to recapitalise **Unity Bank Plc**;

15 Mar 2018 **(Nigeria)** *Punch*. Government data shows that oil reserves decreased from 32.2 billion barrels in 2012 to 31.3 billion in 2016 due to low investment in exploration by oil companies;

14 Mar 2018 **Abuja (Nigeria)** *Reuters*. The **Debt Management Office** publishes data showing that total national debt reached N21.7 trillion (\$70.9 billion) at the end of December 2017;

14 Mar 2018 **Abuja (Nigeria)** *Reuters*. The **National Bureau of Statistics** publishes data showing that annual inflation decreased to 14.3% in February, the lowest level since April 2017.