

AFRICA RISK CONSULTING**Nigeria Monthly Briefing October 2017**

Nigeria Summary 4 October 2017

The High Court in Abuja accedes to the government's request to label the pro-Biafra separatist Indigenous People of Biafra (IPOB) a terrorist group. IPOB leader Nnamdi Kanu remains missing following a security force raid on his residence. Nigeria exits recession following 0.6% year-on-year growth in the second quarter, thereby ending five consecutive quarters of contraction. The Independent National Electoral Commission (INEC) sets 16 February 2019 as the date of the next presidential and parliamentary elections.

Court labels IPOB a terrorist group

The federal **High Court** in **Abuja** designated the pro-**Biafra** separatist **Indigenous People of Biafra (IPOB)** a terrorist group on 20 September.¹ The terrorist label may increase secessionist tensions in southeastern **Nigeria**, rather than diminish them as intended by the designation. IPOB and its leader **Nnamdi Kanu** are campaigning for an independent Biafra state for ethnic **Igbos**. The attorney general and justice minister, **Abubakar Malami**, filed the application at the High Court on behalf of President **Muhammadu Buhari** (2015-present).² The court ruled that all IPOB activities are “acts of terrorism”.³ Kanu’s lawyers filed a case challenging the legality of the ruling on 23 September.⁴ Kanu has, however, recently acknowledged he is re-evaluating the group’s strategy, alleging that Nigerian security forces have attacked unarmed IPOB members in **Umuahia** and **Aba (Abia State)**.⁵ The **Armed Forces of Nigeria** had already labeled the IPOB a “terrorist organisation” on 15 September.⁶ In justifying the military’s designation of the IPOB, the director of defence information, **John Eneche**, cited a series of recent developments that he claimed challenged the IPOB’s self-proclaimed commitment to non-violence.⁷ Eneche alleged that the IPOB has formed a **Biafra Secret Service** and **Biafra National Guard**; has blocked roads and extorted payment from civilians at illegal road blocks; and possesses weapons which it used in an attack on a military patrol and on a military checkpoint in Abia State in September.⁸ Following the military designation, governors of five south-eastern states announced they were prohibiting the IPOB.⁹ Senate president **Abubakar Bukola Saraki** said the governors’ move to prohibit the IPOB was unconstitutional and illegal, leading to the government’s application to the federal high court.¹⁰ There is concern that the proscription of the IPOB may prove counterproductive.

“The Nigerian government should be very careful the way it is going about it because they did not start to act on it early. If the government had nipped Kanu’s activities in the bud, it would not have resulted in what it is today. Proscribing the group and labelling it a terrorist organisation is not the best way to respond to a problem of that extent. These guys have many supporters in the

¹ Daily Post, 21 Sept 2017.

² Daily Post, 21 Sept 2017.

³ Daily Post, 21 Sept 2017.

⁴ Naij.com, 23 Sept 2017.

⁵ Premium Times, 15 Sept 2017.

⁶ Premium Times, 15 Sept 2017.

⁷ Premium Times, 15 Sept 2017.

⁸ Premium Times, 15 Sept 2017.

⁹ Bloomberg, 21 Sept 2017.

¹⁰ Bloomberg, 21 Sept 2017.

*country and outside the country. That shows that government should be careful in the way it handles the issue so that we don't have more crises."*¹¹

Kanu has overseen an increase in Biafran secessionist activity. Kanu was formerly a member of the **Movement for the Actualization of the Sovereign State of Biafra** but established the IPOB in 2012.¹² Kanu has both **United Kingdom (UK)** and Nigerian citizenship and established **London (UK)**-based pro-secessionist **Radio Biafra**.¹³ The Nigerian government banned Radio Biafra in July 2015, following its vitriolic criticism of Buhari. Nigerian authorities arrested Kanu in **Lagos** in October 2015, and charged him with terrorism and treason for which he potentially faces a death sentence. Kanu was freed on bail in April but his current whereabouts are unknown after security forces raided his personal residence in Umuahia (Abia State) on 14 September. His trial is due to resume on 17 October.¹⁴ Kanu's high profile has united relatively disparate groups behind the 'Free Biafra' banner.

*"A conversation around succession always conjures up the thought of the possibility of violence, as we are seeing right now in **Spain**. This is because when you have people who have been subjected to persistent unjust treatment by the state – disaffected, marginalised or ignored – it's very easy to whip them into a frenzy of agitation that, with mob mentality, can gain a momentum of its own and spill into bloodshed. The struggle for a fairer deal has united many different ethnic groups around the call for a free Biafra but will this union hold once the cause is won? If secession must come through violence, unless there is the strong political and institutional capacity to govern effectively, then the risk is that all of the different groups will descend into their own factional fighting for resources and control of the state."*¹⁵

Biafran independence was the cause of the 1967-1970 civil war. As a military officer at the time, Buhari fought against the Biafra in the civil war. The majority Christian Igbos argue they have faced continuous political marginalisation since the end of the war, but that it has worsened under northern Muslim Buhari and his administration. The issue remains politically sensitive. 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. Observers accuse the current IPOB leadership of political expediency.

*"I have concerns about IPOB and its pedigree. Firstly, the leadership is too young to know anything about the reasons for the creation of the original Biafra and the costly civil war. The leadership of IPOB were a few months old at the end of the civil war and have no direct knowledge of Biafra, why it came about or why Nigerians wasted years killing each other. Secondly, the youth who have adopted Biafra in the South East have not considered the political and economic interests of the south east. On the economic front, the south easterners have most of their assets outside of the region and are dependent on their hosts in other parts of the country for their economic well-being. They have few assets or businesses in the region itself. They have a poor resource endowment with perhaps some gas or oil but also would be cut off from a share of the oil revenues. Politically, the issues that this youth are affected by are those that result from poor governance by their political leaders when they have held national office, when they have managed their states and from when they have managed their local governments. There is nothing to suggest that obtaining a Biafra state will improve the performance of the political leaders at these levels."*¹⁶

¹¹ Source, political analyst, Lagos

¹² Bloomberg, 21 Sept 2017.

¹³ Bloomberg, 21 Sept 2017.

¹⁴ Bloomberg, 21 Sept 2017.

¹⁵ Source, academic, Nigeria

¹⁶ Source, management consultant, Nigeria

Information minister **Lai Mohammed** alleged on 17 September that a "*coalition of the politically disgruntled and the treasury looters*"¹⁷ are sponsoring the IPOB, in a likely reference to the PDP. Mohammed provided no evidence to substantiate the allegation.

Transparency about, and accountability for, the treatment of the missing Kanu will be a more important indicator of whether the government can effectively manage calls for Biafran secession. If Kanu is dead, or has been mistreated, the government risks turning him into a martyr and encouraging the IPOB to view violence as a legitimate recourse. Across Nigeria, the issues of secession and federalism will become increasingly important ahead of the 2019 election (see below). Violent clashes are likely to increase as ethnic based groups see an opportunity, either side of the election, to demonstrate their strength and exact concessions from both state and national government.

Nigeria exits recession

The **National Bureau of Statistics (NBS)** published its second quarterly gross domestic product (GDP) report showing Nigeria's exit from recession on 5 September.¹⁸ The positive data will ease political pressure on the Buhari administration, though may provide it with an excuse to defer economic restructuring necessary for sustainable broad-based growth.¹⁹ The NBS data showed growth of 0.6% year-on-year in the second quarter, thereby ending five consecutive quarters of contraction.²⁰ The NBS revised downwards the growth rate for the first quarter from 0.9% to 0.5%.²¹ The data also compared to a contraction of 1.49% in the second quarter of 2016.²² The second quarter data that accompanied the growth figures offered a mixed picture, with the positive performance in the oil sector offset by the non-oil sector.

The oil sector's share of GDP amounted to 8.9% in the second quarter, making it only the fifth largest contributor behind agriculture, trade, information and communications and manufacturing. Nevertheless, its close relationship to other sectors means its indirect contribution to GDP may be much higher. The NBS adjusted the first quarter growth figure because it revised downwards its oil output figure from 1.83 million barrels per day (bpd) to 1.69 million bpd.²³ In the first quarter of 2017, the NBS also revised downwards its oil output figures for all the quarters of 2016. The failure of the Nigerian government to publish accurate output data is a long-standing complaint amongst international oil company executives and economists alike.²⁴ Despite the uncertainty about data accuracy, second quarter growth was largely the result of increased oil and gas sector activity. The hydrocarbons sector grew 1.6% in second quarter of 2017, compared to a 15.6% contraction in the first quarter and 11.6% contraction in the second quarter 2016.²⁵ Crude output averaged 1.84 million bpd in the second quarter, compared to 1.81 million bpd during the corresponding period in 2016.²⁶ Oil production peaked at 1.86 million bpd in August when Nigeria lifted a force majeure on loadings of key export grade Bonny Light.²⁷ State petroleum minister **Emmanuel Ibe Kachikwu** said in a podcast on 1 September that production is close to full capacity on the back of increased international oil company investment due to relative security in the **Niger Delta**.²⁸ This level of output would put Nigeria in breach of the **Organization of the Petroleum Exporting Countries (OPEC)** cap of 1.8 million bpd. OPEC members and other producers, including **Russia**, agreed to the cap to support

¹⁷ Vanguard, 17 Sept 2017.

¹⁸ www.nigerianstat.gov.ng.

¹⁹ Source, analyst, Lagos.

²⁰ www.nigerianstat.gov.ng.

²¹ www.nigerianstat.gov.ng.

²² www.nigerianstat.gov.ng.

²³ www.nigerianstat.gov.ng.

²⁴ Source, private sector executive, UK.

²⁵ www.nigerianstat.gov.ng.

²⁶ www.nigerianstat.gov.ng.

²⁷ www.platts.com.

²⁸ www.cknnigeria.com.

prices by reducing output under an agreement that runs until March 2018.²⁹ Nigeria has committed to respecting OPEC's cap, but has received exemptions at ministerial meetings in November 2016 and May 2017 until production stabilises. Kachikwu attended the meeting of the OPEC/non-OPEC monitoring committee overseeing the deal that met in **Vienna (Austria)** on 22 September.³⁰ Prior to the meeting, Kachikwu provided a figure for current output of 1.69 million bpd.³¹ Kachikwu said that no oil infrastructure is currently under force majeure, but that infrastructure problems had so far prevented production reaching 1.8m bpd.³² Regardless, the monitoring committee approved a third exemption, despite acknowledging that Nigeria produced more than the 1.8 million bpd in August.³³ The OPEC cap places a limit on the further expansion of the oil sector during the coming months.

The performance of the non-oil sector, central to sustainable growth and the main driver of growth in the decade to 2014, was more mixed. The non-oil sector increased 0.45% in the second quarter of 2017, compared to a 0.38% contraction in the corresponding period in 2016.³⁴ The non-oil sector's contribution to total GDP decreased from 91.21% to 91.11%.³⁵ Manufacturing grew 0.64% in the second quarter, compared to a contraction of 3.36% in the corresponding period in 2016.³⁶ This improvement was largely on the back of improved foreign exchange liquidity. However, manufacturing growth is not necessarily consistent. The second quarter growth figure represented a decrease from 1.36% in the first quarter of 2017.³⁷ The manufacturing subsectors that performed worst were some of those with the heaviest weighting in NBS calculations, including food and beverage. This might be the result of low household consumption, even as inflation eases. The NBS published consumer price index (CPI) data on 15 September showing that inflation decreased slightly from 16.05% in July to 16.01% in August.³⁸ This is the seventh consecutive month that the index has declined since January 2017.³⁹ Despite inflation decreasing, food prices remain high due to depressed output amid low supply of grain and the **Boko Haram** insurgency in the northeast. Agriculture growth slowed for a fifth consecutive quarter, recording growth of 3.0% in the second quarter compared to 3.4% in the first quarter, and 4.5% in the second quarter of 2016.⁴⁰

The Buhari administration, which was the subject of popular, political and investor criticism for its piecemeal and inefficient response to low growth, will welcome the exit from recession. Growth will probably be equally positive in the third quarter due to a low baseline. Growth for the remainder of the year will also remain positive due to a strong harvest and improved foreign exchange liquidity. Nevertheless, there are headwinds including low household confidence if food inflation persists, fluctuating oil prices and production, and policy uncertainty around the presidency.

Next elections scheduled for 16 February 2019

The **Independent National Electoral Commission (INEC)** announced on 28 September that the next presidential and parliamentary elections will take place on 16 February 2019.⁴¹ As it approaches, the general election will increasingly serve as a distraction to Buhari's administration and test its commitment to fiscal discipline. As well as the presidential and parliamentary election, governorship, state assembly and **Federal Capital Territory** council elections will take place on 2 March 2019. In announcing the dates, the voter education committee chairman, **Solomon Soyebi**, said the INEC

²⁹ Reuters, 22 Sept 2017.

³⁰ Reuters, 22 Sept 2017.

³¹ Reuters, 22 Sept 2017.

³² Reuters, 22 Sept 2017.

³³ Vanguard, 22 Sept 2017.

³⁴ www.nigerianstat.gov.ng.

³⁵ www.nigerianstat.gov.ng.

³⁶ www.nigerianstat.gov.ng.

³⁷ www.nigerianstat.gov.ng.

³⁸ Premium Times, 15 Sept 2017.

³⁹ Premium Times, 15 Sept 2017.

⁴⁰ www.nigerianstat.gov.ng.

⁴¹ INEC, 28 Sept 2017.

published the date earlier than previous years to allow political parties, security agencies, and candidates sufficient time to prepare.⁴² It is unclear if Buhari plans to stand for re-election. Possible challengers for the ruling **All Progressives Congress (APC)** candidacy include senate president **Abubakar Bukola Saraki**, the former **Lagos State** governor, **Bola Tinubu**, the former vice-president, **Atiku Abubakar**, and the former **Kano State** governor, **Rabiu Musa Kwankwaso**. The situation in the opposition PDP is less clear after a protracted legal case over its leadership but is expected to clarify after it holds a national convention in **Abuja** in early December.

The announcement of the election date will increase maneuvering both inside and outside the APC to succeed Buhari. The risk of sporadic, localised violence will increase as the election approaches, and will require constant monitoring.

Planner

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** to finish;

Jan 2018 **(Nigeria)** *Punch*. **National Identity Management Commission** deadline for new identity cards;

Dec 2017 **Abuja (Nigeria)** *Daily Trust*. Audit of 2016 **Nigerian National Petroleum Corp (NNPC)** to be completed;

1 Dec 2017 **Abuja (Nigeria)** *This Day*. End of second phase of **Presidential Enabling Business Environment Council's (PEBEC) National Action Plan**;

18 Nov 2017 **Anambra (Nigeria)** *Premium Times*. Governorship election;

4 Nov 2017 **Kwara (Nigeria)** *Daily Post*. Local election;

3 - 12 Nov 2017 **Lagos (Nigeria)** *Press release*. **Lagos International Trade Fair**;

Nov 2017 **Abuja (Nigeria)** *Daily Post*. Auditor general scheduled to submit audit of **Treasury Single Account (TSA)** to house of representatives;

3 Nov 2017 **Abuja (Nigeria)** *This Day*. End of government action plan to reform ministries, departments and agencies to improve business environment;

Oct 2017 **(Nigeria)** *This Day*. Deadline for **United Kingdom (UK)** authorities to bring charges against former petroleum minister **Diezani Alison-Madueke**;

Oct 2017 **Abuja (Nigeria)** *Premium Times*. **Budget Office** expects to submit 2018 budget proposal to **National Assembly**;

Oct 2017 **(Nigeria)** *Nigerian Bulletin*. The **Ekiti State** governor, **Ayodele Fayose**, says he will declare his intention to stand in the 2019 presidential election;

Oct 2017 **Niger Delta (Nigeria)** *This Day*. NNPC to lift force majeure on Bonny Light crude.

Chronology

3 Oct 2017 **Abuja (Nigeria)** *Punch*. The federal government requests ministries, departments and agencies rollover 50-60% of capital projects to next fiscal year;

29 Sept 2017 **Abuja (Nigeria)** *Reuters*. The **Central Bank of Nigeria (CBN)** says foreign exchange reserves increased 1.5% month-on-month to \$32.2 billion in September;

⁴² INEC, 28 Sept 2017.

28 Sept 2017 **Abuja (Nigeria)** *Press statement*. The **Independent National Electoral Commission (INEC)** schedules next presidential and parliamentary elections for 16 February 2019;

28 Sept 2017 **Abuja (Nigeria)** *Punch*. The **Debt Management Office** confirms plans to sell \$5.5 billion of Eurobonds during the next quarter;

26 Sept 2017 **Abuja (Nigeria)** *Reuters*. The government asks senate to amend spending law to allow it to use debt to fund recurrent expenditure as well as capital projects;

26 Sept 2017 **Abuja (Nigeria)** *Reuters*. The CBN holds its benchmark interest rate at 14%;

25 Sept 2017 **Abuja (Nigeria)** *This Day*. The power, works and housing minister, **Babatunde Fashola**, says government is open to divesting 40% of its shares in electricity distribution companies;

21 Sept 2017 **(Nigeria)** *Bloomberg*. **Dangote Cement Plc** makes cash and shares offer as part of takeover deal for **South Africa-based PPC Ltd**;

20 Sept 2017 **Abuja (Nigeria)** *Daily Post*. The federal **High Court** designates the pro-Biafra separatist **Indigenous People of Biafra (IPOB)** a terrorist group;

20 Sept 2017 **Abuja (Nigeria)** *This Day*. Fashola says power generation has increased from 2,690MW in 2015 to 6,619MW;

19 Sept 2017 **(Nigeria)** *Bloomberg*. President **Muhammadu Buhari** (2015-present) addresses **United Nations General Assembly** and calls for greater international intervention in **Lake Chad** region;

19 Sept 2017 **Abuja (Nigeria)** *This Day*. The CBN give banks until 13 October to open teller points for retail foreign exchange transactions, or face being barred from CBN foreign exchange interventions;

19 Sept 2017 **Abuja (Nigeria)** *This Day*. The CBN warns four banks, with the combined equivalence of one systemically important bank, are in breach of liquidity and non-performing loans requirements;

19 Sept 2017 **Abuja (Nigeria)** *Bloomberg*. Monetary policy committee member **Doyin Salami** says government is treating CBN like a "piggy bank";

18 Sept 2017 **Abuja (Nigeria)** *Vanguard*. Presidency special adviser **Ita Enang** confirms plan to submit budget to national assembly in October;

17 Sept 2017 **(Nigeria)** *This Day*. Government approves plan to award operating concessions for **Nnamdi Azikiwe International Airport (Abuja)** and **Murtala Muhammed International Airport (Lagos)** to private operators;

14 Sept 2017 **Abuja (Nigeria)** *This Day*. CBN governor **Godwin Emefiele** commits to interest rate regime conducive to domestic production;

14 Sept 2017 **Abuja (Nigeria)** *This Day*. CBN external reserves reach 31-month high of \$33 billion;

14 Sept 2017 **Abuja (Nigeria)** *Punch*. The **Nigerian National Petroleum Corp** will shut

down **Port Harcourt, Warri and Kaduna** refineries for rehabilitation;

13 Sept 2017 **Abuja (Nigeria)** *FT*. State petroleum minister **Emmanuel Ibe Kachikwu** says oil sector needs more “recovery time” before Nigeria joins **Organisation of Petroleum Exporting Countries (OPEC)** supply deal;

11 Sept 2017 **Abuja (Nigeria)** *This Day*. **Debt Management Office** data shows public debt stock at both federal and state level reached N 19.6 trillion (\$54.7 billion) in June;

9 Sept 2017 **Offshore (Nigeria)** *This Day*. Federal government, **Nigerian Agip Exploration Ltd** and **Shell Petroleum Exploration and Production Co** complete technical and commercial evaluation of bids for main packages of \$13.5 billion **Zabazaba** deepwater oil field;

8 Sept 2017 **Abuja (Nigeria)** *Punch*. **National Pension Commission** figures show 70% of total **Contributory Pension Scheme** funds are invested in federal government securities.