

AFRICA RISK CONSULTING

Country briefing – Nigeria

28 February 2013

1 Summary

Informal campaigning for the 2015 presidential election begins. A power struggle escalates within the ruling People's Democratic Party (PDP) between President Goodluck Ebele Jonathan (2010 – present) and state governors. The petroleum industry bill moves forward slowly. Fuel subsidy anniversary protests do not materialise but reforming the fuel subsidy regime remains an important political issue. Insecurity in north continues with several Boko Haram linked attacks and kidnappings.

2 Political dynamics

Campaigning for the 2015 election starts informally ...

A key feature of the political landscape in January and February of 2013 is the increased focus on the next presidential election slated for April/May 2015 and, in particular, the candidacy of President **Goodluck Ebele Jonathan** (2010 – present). Despite Jonathan's calls for a ban on campaigning until 2014, posters appeared in January at the **Abuja** headquarters of the ruling **People's Democratic Party (PDP)** with headlines such as "Let's Do It Again" and "One Good Term Deserves Another", , essentially setting off the Jonathan's 2015 campaign. Jonathan denied his is behind the posters, but they have ignited fierce debate over whether he is entitled to run for president in 2015¹.

Jonathan assumed the presidency in 2010 following the death of former late president **Umaru Musa Yar'Adua** (2007 – 2010) and went on to win the April 2011 presidential election with a convincing 57% majority of the vote against 32% won by former military head of state **Muhammadu Buhari** (1983 – 1985). Jonathan's opponents claim his second and final term commenced after his success in the 2011 election, . regarded as the best run and fairest since the return to democracy in 1999. Nevertheless, organizational lapses marred the election, which prompted the suspension of voting in the parliamentary election and a last-minute delay to the electoral timetable².

¹ Source, political analyst, Nigeria.

² Source, political analyst, Nigeria.

Jonathan intends to stand for a second term. A senior PDP official says **Bamanga Tukur**, as PDP chairman, is preparing the ground for Jonathan's re-election. Jonathan's political godfather and sponsor, chief **Edwin Clark**, stated publicly in 2012 that Jonathan will run³.

The **Northern Political Leaders Forum (NPLF)**, a platform of senior northern politicians, contends that the north has yet to exhaust its two term tenure following the death of the Yar'Adua – a northerner from **Katsina State**. The NPLF is vehemently opposed to Jonathan's 2015 bid and there are unconfirmed claims that the **Boko Haram** insurgency in northern Nigeria, which intensified after the 2011 election, is related to opposition to Jonathan's presidency⁴.

The leading opposition candidate for president, former president Muhammadu Buhari, stated after the 2011 elections that he would not contest again having tried three times and failed. However, he declared in January that his decision to contest in 2015 would depend on the outcome of opposition party merger discussions (see below). Other strong contenders include former vice president **Atiku Abubakar**, Senate president **David Mark** and House of Representatives speaker **Aminu Tambuwal** and several sitting governors. Also frequently mentioned are former federal capital territory minister **Nasir el-Rufai**, a popular reformer, and **Nuhu Ribadu**, head of the **Economic and Financial Crimes Commission (EFCC)**⁵.

As stronger opposition starts to emerge in the run-up to 2015...

In February Nigeria's four main opposition parties – **Action Congress of Nigeria (ACN)**, the **Congress for Progressive Change (CPC)**, the **All Nigeria Peoples Party (ANPP)** and the **All Progressives Grand Alliance (APGA)** – agreed to form a united front in the next election under the **All Progressive Congress (APC)** banner⁶. Discussion started in January on a possible merger in readiness for the 2015 election. Following meetings in January it became clear an alliance was expected. In January, former **Yobe State** governor **Bukar Abba Ibrahim**, a leading member of the ANPP, stated that his party, as well as other opposition parties, would join CPC and ACN, to form a major combined opposition group⁷.

*"Before March 2013, we are going to reach an accord on this merger, that is the deadline for the merger materialising. From all indications, the parties are looking forward to forming a totally new party where all the opposition parties will come together as one entity"*⁸.

Increasing contempt between the presidency and state governors...

³ Source, political analyst, Nigeria.

⁴ Source, political analyst, Nigeria.

⁵ Source, political analyst, Nigeria.

⁶ *This Day*, 6 Feb 2013.

⁷ Source, political analyst, Nigeria.

⁸ Source, political analyst, Nigeria.

In February tensions increased between Jonathan and the powerful state governors, due to opposition to Jonathan's expected presidential bid in 2015⁹. The state governors are alleging Jonathan is trying to wrestle control of the PDP's party machinery at state level to secure support for his re-election bid without the backing of the governors¹⁰. In 2015 23 of the 36 governors are vacating office and some will want to consider the possibility of entering the presidential race. With Jonathan out of the 2015 race, their chances of success are better. Governors likely to enter the race are: **Jigawa State** governor **Sule Lamido**; **Niger State** governor **Babangida Aliyu** and **Rivers State** governor **Rotimi Amaechi**¹¹.

Tension between Jonathan and the state governors was already high in January when the Supreme Court commenced consideration on the case filed on behalf of the **Nigerian Governors' Forum (NGF)**, contesting the Federal Government's unilateral deductions from the federation account to fund the fuel subsidy regime. The NGF argument is that the Federal Government does not have the power to make deductions from revenues, which constitutionally should accrue to the nation as a whole and be shared between the three tiers of government. The NGF is seeking a restitutory order directing the Federal Government to repay the states their 24% share of the deducted funds¹².

The actions of the governors have created tension within PDP, leading PDP figure Edwin Clark, elder statesman, prominent **Ijaw** leader and Jonathan's perceived 'Godfather' (see above), to publicly call the governors to order¹³. In his words,

"Today, the PDP is sitting on a keg of gunpowder which can explode at any time. The question is: who will bell the cat? I wish to urge the Governors Forum to have a re-think on its activities, remembering that power is transient".

3 Business dynamics

The Petroleum Industry Bill inches forward...

The Petroleum Industry Bill (PIB), which is intended to lead to fundamental restructuring of the oil and gas sector, also topped the agenda of political debate in January and February and is likely to dominate discussions in the first quarter of 2013. Major objections to the PIB are emerging from northern politicians who consider the draft received from the executive as unduly favourable to the South-South and South East zones of the country, citing in particular the planned creation of the **Petroleum Host Communities Fund (PHCF)**, which would require all exploration and production companies to transfer 10% of net operational profits to **Niger Delta** communities¹⁴.

⁹ Source, political analyst, Nigeria.

¹⁰ *This Day*, 20 Feb 2013.

¹¹ Source, political analyst, Nigeria.

¹² Source, political analyst, Nigeria.

¹³ Source, political analyst, Nigeria.

¹⁴ Source, political analyst, Nigeria.

Significant lobbying from **Shell** and other major international oil companies (IOCs), particularly around fiscal terms in the PIB, proceeded actively in January. The IOCs argue that passage of the latest draft would curtail over \$100 billion in investments before 2020, causing a 40% total production decline, and that no planned or potential deep-water projects would remain viable¹⁵.

The PIB has now passed the second reading at the House of Representatives and is referred to an ad-hoc committee under the leadership of chief whip **Ishaka Bawa** for further deliberations. Stronger opposition from the Northern caucus has resulted in slower progress in the Senate¹⁶.

Parliament first received a draft of the PIB in 2008 and has yet to pass it into law. The legislation is meant to overhaul the oil and gas sector, including restructuring the **Nigerian National Petroleum Corporation (NNPC)** into a commercial national oil company, create new regulatory institutions and redefine the relationship between the government and its foreign joint venture oil partners. If passed, the law will enable the government to renegotiate old contracts and impose higher royalties and taxes on oil companies, particularly with respect to production sharing contracts governing offshore production¹⁷.

The fuel subsidy controversy and the anniversary of protests...

2013 started with the threat of mass action to mark the anniversary of the subsidy protests that “...nearly brought down the government...” in early 2012. The protests failed to materialise. In January 2012 people across Nigeria took to the streets to protest the government’s removal of petroleum subsidies which led to doubling of petrol prices. The **BLUFF Platform**, a broad coalition of civil society groups such as **Occupy Nigeria** and opposition politicians, appeared somewhat appeased after the government’s decision to back track on the removal of the petroleum subsidy, but, in the words of one of the leading BLUFF leaders,

“We are still unhappy with Jonathan’s failure to fulfill promises of significant reform in the oil and gas sector after the agreement reached last year and expect to see more progress in the prosecution of fuel marketers and need to see action taken on the Ribadu Report¹⁸”.

Two government reports highlighted a high level of fraud and corruption in Nigeria’s fuel marketing and subsidy program - the House of Representatives ad-hoc fuel subsidy investigation committee under the leadership of Farouk Lawan, and the separate **Aigboje Aig-Imoukhuede**-led presidential committee that investigated fuel subsidy fraud, revealed that more than \$6.8 billion was allegedly

¹⁵ Source, political analyst, Nigeria.

¹⁶ Source, political analyst, Nigeria.

¹⁷ Source, political analyst, Nigeria.

¹⁸ Report of the Petroleum Revenue Special Taskforce chaired by Nuhu Ribadu, a high profile champion of anti-corruption efforts. The report uncovered underpayments of US\$29 billion by Shell, Total, Eni and others; and \$1.5 billion in outstanding royalty payments by Addax; US\$183 million in missing signature bonuses

unlawfully paid to marketers and importers of petroleum products as a result of over/false-invoicing and other issues. The government responded with promises to recoup some of this money and prosecute errant marketers¹⁹. Around 40 firms were slated for indictment at end of December 2012, including a company called **Eterna Oil & Gas Plc**²⁰, allegedly linked to the son of PDP chairman **Bamanga Tukur**, and **Ontario Oil & Gas Ltd**, a company with alleged links to petroleum minister **Diezani Allison-Madueke**²¹. However, trial dates keep shifting and many of the cases appear unlikely to see the light of day. More importantly, 35 of the 39 marketers selected to import petrol in the last quarter of 2012 were fingered for subsidy-related abuses in the Lawan or Aig-Imoukhuede reports²².

4 Operations

Insecurity in north continues...

Islamist attacks in northern Nigeria continued in February. On 21 February a suicide bomber targeted a market killing three people²³. On 19 February unidentified armed men kidnapped seven **French** nationals in **Cameroon** near the its border with Nigeria²⁴. On 18 February militant group **Ansaru** kidnaps seven foreign workers in **Jama'are** (Bauchi State)²⁵. On 8 February unknown gunmen kill nine healthcare workers in **Kano**²⁶.

Most of the above attacks were linked or claimed to have links with **Jama'atu Ahlus Sunah Lida'wati Wal Jihad** or as it is known colloquially in the **Hausa** language, **Boko Haram**, meaning "western education is forbidden". Boko Haram is based in northern Nigeria and has its roots in a militia group nick-named **Ecomog**. The ruling elite of **Borno State** used Ecomog to secure a victory in the 2003 state elections. Ecomog leaders capitalised on the marginalisation of the north and meshed it with an Islamic agenda. An army crackdown in 2009 further polarised sentiment in the north and prompted Boko Haram to split into several autonomous groups. Boko Haram has strengthened links with Islamist terrorists in the region. In the past 18 months attacks have increased in number and scale. The security forces' response was initially subdued due to an overall lack of government credibility but co-ordination is improving. It is also likely that there are links between Boko Haram and security forces officials.. In January 2012 Jonathan publicly suggested Boko Haram is the most significant Nigerian national security threat since the 1960s,²⁷ with sympathisers in government and security forces.

¹⁹ Source, political analyst, Nigeria.

²⁰ www.vanguardngr.com

²¹ www.saharareporters.com

²² Source, political analyst, Nigeria.

²³ *Guardian*, 21 Feb 2013.

²⁴ Reuters, 19 Feb 2013.

²⁵ BBC, 18 Feb 2013.

²⁶ *This Day*, 8 Feb 2013.

²⁷ *This Day*, 8 Jan 2012.

Although Boko Haram's roots are those of a disaffected political militia, Boko Haram provide a platform for Islamist extremist terrorist groups. As Nigeria is a substantial supplier of oil to the US economy, **al Qaeda** ideologues have named Nigeria (and its oil supplies) as a target for terrorist operations. As elsewhere, al Qaeda affiliated groups' strategy is to produce a spectacular attack that will inflict mass casualties and which will promote the Islamist extremist narrative. The threat of another significant bombing resulting in mass casualties is probably. This is most likely to take place in the northern and middle belt Muslim states as these provide a better potential host community for Islamist extremist terrorist cells.

5 Implications

The political environment in the run-up to the 2015 presidential will face bouts of instability as political powerbrokers within and outside the ruling PDP seek to prevent Jonathan from running. Conflicts between vested interests, reformers and international oil and gas companies are expected to stall the passage of the PIB. Civil society will continue to put pressure on government to reform the fuel subsidy program.

The growing threat of Boko Haram adds to political instability in the Muslim north. There is a continued high risk of Boko Haram linked attacks and kidnappings in the north. Particular targets may include: federal, state and local government offices; mosques; churches; schools; markets; bars; media institutions; foreign businesses; western expatriates; **Christian** preachers; opposing **Muslim** preachers; government employees and security service officers. Particular cautions is advised on Christian and Muslim holy days – Sunday and Friday respectively - and holidays (see below)

6 Key events chronologies

28 Feb 2013 Abuja (Nigeria) Guardian. **People's Democratic Party (PDP)** national chairman **Bamanga Tukur** says there is nothing wrong with president **Goodluck Jonathan** running for president in 2015;

26 Feb 2013 north (Nigeria) This Day. **Boko Haram**, which claimed responsibility for the abduction of the seven members of a French family kidnapped in Cameroon, demands the release of detained Boko Haram members in Nigeria;

25 Feb 2013 Keffi (Nigeria) IOL. Police break up protest at **Nassarawa State University (NSU)** leaving one dead and nine injured;

25 Feb 2013 Abuja (Nigeria) Guardian. The **Nigerian Communications Commission (NCC)** has unfolded plans to implement an 2.5% operating tax on telecommunication operators in an effort aimed at repositioning the sector for improved performance;

21 Feb 2013 Maiduguri (Nigeria) AP. A suicide bomber targets a market killing three people;

20 Feb 2013 Abuja (Nigeria) This Day. Faced with a gradual erosion of their influence in the affairs of the ruling **People's Democratic Party (PDP)** following covert moves from loyalists of president **Goodluck Jonathan** to take over the party machinery, state governors launch a bid to reassert their influence;

- 20 Feb 2013 Bayelsa State (Nigeria)** *This Day*. Police say unidentified gunmen who abducted six foreigners off the Bayelsa coastline region have demanded a ransom \$1m;
- 19 Feb 2013 Nigerian border (Cameroon)** *Reuters*. Unidentified armed men kidnap seven French nationals;
- 19 Feb 2013 Abuja (Nigeria)** *Guardian*. Counter terrorism coordinator **Sarkin Yakin Bello** says **Boko Haram** must have a credible leadership and renounce violence for negotiations to start;
- 18 Feb 2013 Bauchi State (Nigeria)** *BBC*. Nigerian militant group **Ansaru** says it kidnapped seven foreign workers in **Jama'are**;
- 12 Feb 2013 Kano (Nigeria)** *Guardian*. Security forces arrest seven suspects who were involved in the attack on the Emir of Kano, **Alhaji Ado Bayero**, on 19 January;
- 11 Feb 2013 Abuja (Nigeria)** *Guardian*. The **Economic and Financial Crimes Commission (EFCC)** re-arraigns former aviation minister **Femi Fani-Kayode** on money laundering charges;
- 8 Feb 2013 Kano (Nigeria)** *This Day*. Unknown gunmen kill nine healthcare workers;
- 8 Feb 2013 Lagos (Nigeria)** *This Day*. **Rand Merchant Bank (RMB)** starts operations in Nigeria;
- 7 Feb 2013 Maiduguri (Nigeria)** *Xinhua*. The military kills two alleged Islamists;
- 6 Feb 2013 Abuja (Nigeria)** *This Day*. Four main opposition parties - **Action Congress of Nigeria (ACN)**, the **Congress for Progressive Change (CPC)**, the **All Nigeria Peoples Party (ANPP)** and the **All Progressives Grand Alliance (APGA)** – agree to form a united front in the next election under **All Progressive Congress (APC)** banner;
- 6 Feb 2013 Abuja (Nigeria)** *This Day*. The government plans to increase Nigeria's sovereign wealth fund from \$1 billion to \$5 billion before the end of 2016;
- 6 Feb 2013 Abuja (Nigeria)** *This Day*. The **International Finance Corporation (IFC)** issues N12 billion (\$75 million) of its debut Nigeria local currency bond;
- 6 Feb 2013 Abuja (Nigeria)** *This Day*. Foreign reserves hit \$46 billion;
- 6 Feb 2013 Lagos (Nigeria)** *Business Day*. **Citibank** is seeking to expand its private banking business in Nigeria, with private equity firm, **Blackstone** allegedly brought in to help facilitate the move;
- 5 Feb 2013 Abuja (Nigeria)** *Guardian*. Police detonate a parcel bomb addressed to finance minister **Ngozi Okonjo-Iweala**;
- 1 Feb 2013 Abuja (Nigeria)** *Guardian*. The government and **General Electric (GE)** sign a \$1 billion MOU to boost the power sector in the next five years;
- 1 Feb 2013 Abuja (Nigeria)** *Pana*. The government files corruption charges against the suspended chairman of the house of representatives ad-hoc committee on fuel subsidy regime, **Farouk Lawan**;

6.1 Forward looking

- 16 Mar 2013. Federal Capital Territory (FCT)** local council elections expected;
- Apr 2013. Imo State** local council elections expected;
- 1 May 2013.** Worker's Day;
- Jun 2013. Yobe State** local council elections expected;
- 10 Jul 2013.** Ramadan;
- 9 Aug 2013.** Eid al-Fitr (end of Ramadan);

1 Oct 2013. Independence Day.

Apr/May 2015. Presidential election.