

AFRICA RISK CONSULTING

Nigeria Monthly Briefing December 2020

Nigeria Summary 18 December 2020

A heavy police presence remains in Nigeria's economic capital, Lagos, to stave off further #EndSARS protests against police brutality. The World Bank forecasts that Nigeria will forfeit at least 14 years of per capita income by 2022 as a direct result of the global economic crisis created by the COVID-19 pandemic and the oil price slump. The Central Bank of Nigeria (CBN) devalues the regulated price of dollars for the Bureau De Change (BDC) segment of the market to N392 per United States dollar and issues CBN special bills to improve liquidity in Nigeria's banking sector. As part of the federal government's "Autogas Programme", the CBN will make N250 billion (\$659m) available for infrastructure funding in a bid to expand gas use and cut Nigeria's reliance on imported fuel. United Kingdom-based non-governmental organisation Amnesty International reports gross human rights violations are taking place in north-east region of the country amid continuing Boko Haram atrocities coupled with the Nigerian military's disregard for human rights.

#EndSARS clampdown continues

A second wave of #EndSARS protests rocked Nigeria on 7 December, this time emanating from the capital, Abuja.¹ #EndSARS is a crowd-funded, social media-led campaign launched after a video showing a member of Nigeria's notorious **Special Anti-Robbery Squad (SARS)** summarily executing a person spread on social media (see *ARC Briefing Nigeria October 2020*). Security forces opened fire and killed at least 12 unarmed protesters on 20 October, sparking an international backlash including calls by the **United Kingdom (UK)** parliament for sanctions against key individuals in Nigeria's government and security forces.² Information and culture minister **Lai Mohammed** said on 25 November that the federal government was unperturbed by the resolutions of the UK parliamentarians for sanctions against top Nigerian officials and security agents involved in the alleged violation of #EndSARS protesters' rights, as they did not represent the position of the British government.³

Responding to reports of new #EndSARS protests in the economic capital, **Lagos**, government spokesperson **Olumuyiwa Adejobi** said:

*"Some unpatriotic individuals and groups are planning to embark on the replica of the recent destructive and violent #EndSARS protest that left pains and agonies in the state. Lagos State is still nurturing the wounds orchestrated by some violent #EndSARS protestors and not fit to accommodate such protests for now."*⁴

A heavy police presence remains in Lagos, to stave off further #EndSARS protests against police brutality.⁵ Police have arrested several activists since the first #EndSARS protests took place in October. UK-based non-governmental organisation **Amnesty International** reports that police killed at least 12 people in **Lekki** (Lagos) responding to the protests.⁶ Nigerian authorities dispute the death toll.

¹ ConnectNigeria, 8 Dec 2020

² Hansard, 23 Nov 2020

³ The Citizen, 25 Nov 2020

⁴ BBC, 7 Dec 2020

⁵ Source, Lagos businessman, Dec 2020

⁶ Amnesty International reported 12 deaths, other media reported 10 deaths

World Bank warns of economic collapse

The **World Bank** forecasts a grim picture for Nigeria's economy in the context of the **COVID-19** pandemic and the global economic crisis.⁷ In a report released on 1 December, the World Bank estimates that Nigeria will forfeit at least 14 years of per capita income (by 2022) as a direct result of the global economic crisis created by the COVID-19 pandemic and the oil price slump. By comparison, other developing/middle-income countries will see an average loss in income of seven years.⁸

The World Bank reports that as a result of the negative impact of the pandemic, personal income rates will be set back four decades and that 15-20 million Nigerians (at least 10% of the population) will fall into poverty, defined as living on less than \$1.90 per day. The economy is forecast to contract by at least 4% in 2020, while government revenue is expected to drop by at least 2% of GDP.⁹

Nigeria's four-week lockdown was a strong blow to the informal economy, leaving more than half the population unemployed or underemployed. World Bank Nigeria mission head **Shubham Chaudhuri** warned that *"the risk of the economy unravelling is real"*.¹⁰

... as central bank addresses dollar scarcity

The **Central Bank of Nigeria (CBN)** has come to the aid of Nigerian corporate organisations struggling to navigate the current recession and dollar shortages in the domestic economy. The CBN on 27 November devalued the regulated price of dollars for the **Bureau De Change (BDC)** segment of the market to N392 per **United States** dollar (USD) from N386/USD.¹¹ The CBN sells to the BDCs at N390 per dollar and the BDCs are to sell to the end users at no more than N392/USD. International Money Transfer Operators (IMTOs) are now to sell dollars at N388 to banks, while banks are to sell onwards to the CBN at N389. Sources claim the CBN has been struggling to contain the devaluation of the naira in the black market, which has hit close to N500 per dollar.¹² US-based ratings agency **Fitch Ratings** noted on 1 December that foreign currency liquidity presents a significant risk to Nigerian banks' ratings.¹³

The CBN has also approved the release of the cash reserve requirement (CRR) through the issuance of CBN Special bills.¹⁴ The CRR is the minimum amount banks are expected to retain with the CBN from their customer deposits. The bank says the CBN special bills will improve liquidity in Nigeria's banking sector and support economic recovery through the increased extension of credit facilities to the real sector. Nigerian banks are reportedly being geared up to fund a proposed N10 trillion (\$26.4 billion) securitisation plan to shift development financing and interventions on the CBN's balance sheet to the finance ministry.¹⁵ The CBN will refund the excess CRR by issuing special bills to banks, which they can tender for cash if necessary through the expanded discount window.¹⁶ The special bills will have a tenor of 90 days, subject to rollover at the instance of the CBN. It will also be a zero coupon bill with an implied yield to be worked out by the CBN.

*"It's positive for banks' liquidity ratio. It should put about N10 trillion (\$26.4 billion) liquidity into the system. It's also earnings positive and hopefully the CBN will issue the special bills at reasonably higher rates than in Primary Market Auctions."*¹⁷

The CBN requires that banks hold CRR as a mandatory cash deposit. The CRR is non-interest bearing and is not available for use in banks' day-to-day operations. As at 30 September, the CRR in force was

⁷ World Bank, 1 Dec 2020

⁸ World Bank, 1 Dec 2020

⁹ World Bank, 1 Dec 2020

¹⁰ Financial Times, 10 Dec 2020

¹¹ This Day Live, 30 Nov 2020

¹² This Day Live, 30 Nov 2020

¹³ Fitch Ratings, 'Fitch Ratings sees gradual recovery for African banks in 2021', 1 Dec 2020

¹⁴ Vanguard, 2 Dec 2020

¹⁵ Source, business analyst, Lagos

¹⁶ This Day, 2 Dec 2020

¹⁷ Source, Nigeria analyst, Lagos

27.5%, compared with 22.5% in December 2019. A growing number of Nigerian lenders are seeing rising costs related with impairment charges for non-performing loans (NPLs).

Maritime workers call off strike

The **Maritime Workers Union of Nigeria (MWUN)** called off a nationwide three-day strike planned a day before the strike was due to start on 9 December.¹⁸ The strike aimed to draw attention to the poor state of infrastructure in Lagos State. The MWUN's demands include the repair of roads leading to Nigeria's major ports and establishing sustainable solutions to traffic bottlenecks that hamper travel to the ports.¹⁹ The **Nigeria Union of Petroleum and Natural Gas Workers (NUPENG)** said its members would not join the strike collectively, but said individual NUPENG members were free to strike in order to attract the government's attention.²⁰

Nigeria's natural gas sector is a significant source of employment and economic generation.²¹ According to **Organisation of the Petroleum Exporting Countries (OPEC)** records, the oil and gas sector accounts for 10% of gross domestic product, while petroleum export revenue represents around 86% of total exports revenue.²²

The current wave of strike action has not reached Nigeria's crucial oil sector, the country's major economic generator. Nigeria is Africa's largest oil exporter, with oil providing 90% of Nigeria's foreign exchange and more than half of its budget.²³ The **International Labour Organisation** reports that Nigeria's oil industry creates over 650,000 direct jobs in Nigeria, and more than 250,000 jobs in indirect employment.²⁴ An oil sector strike in 2003 forced Nigeria's two largest oil firms to shut in some production, causing world oil prices to reach near all-time highs.²⁵

Meanwhile, analysts wonder why the federal government continues to fix petrol prices for a downstream petroleum sector it says it has deregulated.²⁶ Labour and employment minister **Chris Ngige** announced to labour leaders during a 7-8 December meeting that the government had reduced the pump price of petrol from N168 per litre (\$0.43) to N162.44 per litre (\$0.426), effective 14 December. The decision, and its announcement, were likely intended to head off instability from further popular unrest.²⁷ Petrol prices have an immediate and direct effect on the cost of transportation. Mid-December witnesses an exodus from the cities to the rural areas, and from one region to another for the Christmas holiday period, regardless of religion.²⁸

... as government encourages investment in gas-powered vehicles

The federal government announced on 29 November that as part of its "*Autogas Programme*" the CBN will make N250 billion (\$659m) available for infrastructure funding in a bid to expand gas use and cut Nigeria's reliance on imported fuel. The government plans to offer free conversion to enable some cars to run on liquefied petroleum gas (LPG) or compressed natural gas (CNG).²⁹ The policy is in line with the government's plan to make gas the first choice source of cheaper and cleaner energy for Nigerians in their personal and industrial use in an effort to free itself of costly gasoline subsidies and avoid public anger over higher fuel pump prices.

Nigerian National Petroleum Corporation (NNPC) group managing director **Mele Kyari** said select NNPC stations will offer free conversion of "*some cars*" to enable them to run on LPG or CNG. There

¹⁸ BBC, 8 Dec 2020

¹⁹ BBC, 8 Dec 2020

²⁰ BBC, 8 Dec 2020

²¹ BBC, 8 Dec 2020

²² Annual Statistical Bulletin, 2020

²³ International Labour Organisation Working Paper 237

²⁴ International Labour Organisation Working Paper 237,

²⁵ Reuters, 3 Dec 2020

²⁶ Nairametrics, 14 Dec 2020

²⁷ ARC source, Lagos businessman

²⁸ ARC source, Lagos businessman

²⁹ Nairametrics, 2 Dec 2020

are currently 80 locations in the country capable of fuelling the vehicles.³⁰ Nigeria is hoping to have one million gas-powered cars by the end of 2021, and to convert about 40% of its fleet within 10 years.

Boko Haram attacks continue

The killing of at least 43 rice farmers near **Borno State** capital **Maidugari** on 28 November has sparked outrage across Nigeria, with lawmakers deliberating on how to fix Nigeria's alarming security problems. A gang of machete-toting motorcyclists, believed to be a marauding arm of Islamist militant group **Boko Haram**, is estimated to have killed as many as 110 people across the **Jere** local government area of Borno State, near **Koshebe** village.³¹ Boko Haram also claimed responsibility for the kidnapping of over 300 schoolboys in **Kankara (Katsina State)** on 11 December.³² Katsina State governor **Aminu Bello Masari** announced on 17 December that 344 boys had been given to state authorities in a forest more than 150km from the school where they were abducted.³³

Despite Boko Haram's reputation as the second deadliest terrorist group³⁴ in the world, information and culture minister **Lai Mohammed** on 2 December dismissed the militant group as "*a badly degraded terrorist group that can only attack defenceless civilians*".³⁵ Mohammed's flippancy comes at a time when the **Centre for Reproductive Rights and Legal Defence and Assistance Project (LEDAP)** has revealed that insurgency has led to the displacement of 1.17 million women and over 500,000 girls in Nigeria, out of the 2.2 million internally displaced persons (IDPs) in Nigeria.³⁶

House of Representatives speaker **Femi Gbajabamila** said on 7 December that President **Muhammadu Buhari** (2015-present) had agreed to address a joint session of the **National Assembly** on what is being done to tackle the spate of terrorism and banditry in the country. Nigeria's 36 governors held a virtual meeting on 3 December to discuss the insecurity situation.

Amnesty International claims in a 67-page report released on 8 December, that in its operations against Boko Haram, Nigeria's military frequently fails to distinguish combatants from civilians and at times even deliberately targets civilians.³⁷ Amnesty crisis response director **Joanne Mariner** notes older men and women are often among the last to flee when Boko Haram invades towns and villages,

*"... leaving them particularly exposed to the armed group's brutality and repression – amounting to war crimes and likely crimes against humanity. This has included torture, being forced to witness killings and abductions of their children, as well as looting resulting in extreme food insecurity,"*³⁸

The Boko Haram crisis and its handling have contributed to US secretary of state **Mike Pompeo** stating on his **Twitter** page on 8 December that:

*"Today the U.S. designates **Burma, China, Eritrea, Iran, Nigeria, the DPRK, Pakistan, Saudi Arabia, Tajikistan, and Turkmenistan** as countries of concern under the **International Religious Freedom Act of 1998** for engaging in systematic, ongoing, egregious religious freedom violations."*

Nigeria's **South-South** has also seen a wave of attacks. A new coalition of 36 militant groups calling itself the **Continuous Emancipation of Niger Delta (CEND)**, carried out attacks on gas and crude oil

³⁰ Nairametrics, 2 Dec 2020

³¹ Reuters, 29 Nov 2020

³² CNN, 15 Dec 2020

³³ The Hill, 17 Dec 2020

³⁴ Only behind the **Taliban**, Pulse, 2 Dec 2020

³⁵ Pulse, 2 Dec 2020

³⁶ Reproductive Rights, "*Accounting for Resiliency and Abuse in Nigeria*", 18 Nov 2020

³⁷ Amnesty International report, "*My heart is in pain: Older people's experience of conflict, displacement and detention in Northeast Nigeria*", 8 Dec 2020

³⁸ Amnesty International report, Dec 2020

pipelines in **Bayelsa State** in the last two weeks of November.³⁹ The group listed six demands that the federal government should “quickly” handle, failing which it would continue “destructive attacks” on oil and gas facilities.

Planner

2023 **(Nigeria)** Presidential elections;

Chronology

17 Dec 2020 **Abuja (Nigeria) Punch. Presidential Task Force on COVID-19** secretary **Boss Mustapha** says the number of **Covid-19** cases detected in **Nigeria** in the past two weeks indicates that a second wave of the outbreak has begun;

17 Dec 2020 **Abuja (Nigeria) Ecofin Agency.** President **Muhammadu Buhari** orders the immediate reopening of land borders with **Benin, Niger** and **Cameroon**;

15 Dec 2020 **Abuja (Nigeria) France24.** Extremist group **Boko Haram** claims responsibility for the kidnapping of over 300 schoolboys in **Kankara**, as government says it has established contact with the kidnappers and is negotiating the children's release;

10 Dec 2020 **Abuja (Nigeria) Vanguard.** **World Bank** country director for **Nigeria, Shubham Chaudhuri**, says World Bank board will decide on providing a \$1.5 billion credit facility to **Nigeria** next week;

10 Dec 2020 **Lagos (Nigeria) Reuters.** Global activists criticise the Nigerian government for its crackdown on protesters against police brutality and state corruption;

10 Dec 2020 **Amsterdam (Netherlands) Reuters.** Netherlands TV programme **Zembla** reports that employees at **Royal Dutch Shell's** Nigerian joint venture orchestrated damage to oil pipelines to profit from the clean-up operation;

10 Dec 2020 **Abuja (Nigeria) Today.ng** Government announces it is reopening its isolation and treatment centres ahead of an expected second wave of the **COVID-19** pandemic in the country;

9 Dec 2020 **Abuja (Nigeria) Nairametrics.** **Nigeria Communications Commission (NCC)** has instructed mobile network operators in the country to suspend the sale and activation of new SIM cards with immediate effect until an audit of the subscriber registration database is completed;

9 Dec 2020 **Abuja (Nigeria) OCHA.** The **United Nations Office for the Coordination of Humanitarian Affairs** and its humanitarian partners continue to deliver humanitarian aid, despite the additional challenges posed by **COVID-19**, heightened insecurity and access constraints, and have reached 3.6 million people in north-east Nigeria, through multisectoral assistance;

8 Dec 2020 **(Africa) AIIM.** **African Infrastructure Investment Managers (AIIM)** completes an \$80m capital increase for its **pan-African** infrastructure fund, **AIIF3**, bringing the total capital committed to the vehicle to \$400m;

8 Dec 2020 **Abuja (Nigeria) Citizen Lab.** **Canada-based Citizen Lab** report says **Nigeria's Defence Intelligence Agency** acquired equipment to spy on Nigerians' calls and text messages;

7 Dec 2020 **Washington D.C. (US) VOA.** The **US State Department** adds **Nigeria** to its religious freedoms blacklist, paving the way for future sanctions;

5 Dec 2020 **Geneva (Switzerland) VOA.** The **World Health Organization (WHO)** reports that a yellow fever outbreak in Nigeria, which began in November, is continuing to spread, with 530 suspected cases and 172 deaths;

³⁹ Vanguard, 27 Nov 2020

3 Dec 2020 **Lagos (Nigeria)** *Reuters*. The **Nigerian National Petroleum Corporation** reports an explosion hit its **Oil Mining Lease 40** field; no casualties or significant spill were reported, but production will be cut by 10,000 barrels a day;

2 Dec 2020 **Abuja (Nigeria)** *Bloomberg*. **Central Bank of Nigeria** says it is introducing special bills to deepen financial markets and free up capital for banks so they can extend more credit in **Africa's** largest economy;

1 Dec 2020 **Geneva (Switzerland)** *Reuters*. **World Health Organisation's UNITAID** announces **Nigeria** will be one of the first countries to receive a new generic paediatric HIV drug in 2021.

30 Nov 2020 **Abuja (Nigeria)** *Financial Times*. **Nigeria** plans to provide 90% of the population with internet speeds of at least 25 Mbps in urban areas and 10 Mbps in rural areas within five years;

29 Nov 2020 **Zabamari (Nigeria)** *Reuters*. At least 43 farmers killed by suspected Islamist militants whilst **United Nations** estimates up to 110 people killed across **Jere** local government area of **Borno** state;

29 Nov 2020 **Abuja (Nigeria)** *Reuters*. **Transmission Company of Nigeria** says the national electricity grid briefly collapsed on 29 November, and it will conduct an investigation to establish what caused the incident;

27 Nov 2020 **London (UK)** *Financial Times*. The global shipping industry has called for greater military protection from pirates for vessels operating off the **West African** coast, with marine intelligence group **Dryad Global** describing the region as the "*most dangerous*" in the world for shipping;

26 Nov 2020 **Abuja (Nigeria)** *Nairametrics*. Foreign affairs minister **Geoffrey Onyeama** says **Nigerian** government has reached out to the **United Kingdom** government over the parliamentary debate on proposing sanctions on government officials complicit in violating the rights of **#EndSARS**;

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

ARC's core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

www.africariskconsulting.com

About ARC Briefing:

ARC Briefing is ARC's essential business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

ARC Briefing is an information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

www.africariskconsulting.com

Getting in touch

Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)