

## AFRICA RISK CONSULTING

### Nigeria Monthly Briefing July 2020

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#### Nigeria Summary 28 July 2020

*The presidential cabal that surrounded President Muhammadu Buhari (2015-present) has been further weakened following the death of another of its core members, Isa Futuna. Futuna was known as the key dealmaker for the presidency. The weakened cabal provides a short window of opportunity to reform key institutions such as the Nigeria National Petroleum Corporation (NNPC) and to implement urgent currency reforms. Nigeria's economic situation remains dire despite a small improvement in the oil price: the country continues to borrow to pay salaries and its debt has become unmanageable. Domestic and international pressure is mounting on Buhari to reshuffle his cabinet, notably the economic team. A shortlist of people to replace the suspended chair of the Economic and Financial Crimes Commission is drawn up despite an on-going investigation. Italian prosecutors call for 8-10 year sentences in the Eni-Royal Dutch Shell OPL 245 corruption case – including for former finance minister Dan Etete. Security conditions deteriorate as Islamist militants execute aid workers, piracy plagues the coast, and fears rise that the Covid-19 economic crisis may spark protest and political unrest.*

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#### Cabal around Buhari loses its business leader

The death of another of the core members of the former cabal that acted as gatekeepers to President **Muhammadu Buhari** (2015-present) has greatly weakened it. The death of **Mallam Isa Futuna** on 22 July may open the cabal's business activities to scrutiny. Futuna, along with the late chief of staff, **Abba Kyari**, and Buhari's relative, **Maman Daura**, acted as gatekeepers to the Buhari presidency. In the division of labour, Futuna's role was the group's dealmaker. All the state's key moneymaking institutions reported to Futuna including, reportedly, the group managing director of the state-owned oil company, the **Nigerian National Petroleum Corporation (NNPC)** and the **Central Bank of Nigeria (CBN)**, and senior bank staffers, as well as the state-owned distressed bank, **Asset Management Corporation of Nigeria (AMCON)**.<sup>1</sup>

Futuna's links to Buhari were close. His son – who controlled AMCON – is married to Buhari's daughter. One source described Futuna as Buhari's "*best friend and closest confidant*", although this accolade is more often attributed to Maman Daura. However, together with Maman Daura and Abba Kyari, Futuna positioned himself to become one of the three most powerful men in the country. Futuna's death came as a surprise to many as he was not known to be unwell.<sup>2</sup>

Futuna's control was most nefarious in the central bank where ARC sources report he was among the most ardent profiteers in **Nigeria's** fixed exchange system, drawing millions of dollars from the CBN at the official fixed rate and reportedly reselling that money in the local parallel market in a process known as foreign exchange "*round tripping*". The name of Isa Futuna was well known to the 'change monies' – parallel market currency traders around **Abuja (Federal Capital State)**. The scale of the round tripping under Buhari had not been seen in Nigeria since the notoriously corrupt military rule of General **Sani Abacha** (1993-1998). Isa Futuna is alleged to have used the proceeds of his self-enrichment schemes to purchase the **Etisalat** mobile network, now known as **9-mobile**, for an alleged \$300m and to buy a bank and several key properties.

However, despite the weakening of the cabal, there is little prospect that Isa Futuna's death will lead to a dramatic transformation in the way that power is conducted in Nigeria. His death merely leaves a

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<sup>1</sup> ARC Nigeria senior political source,

<sup>2</sup> ARC Nigeria senior political source, UK banking source

vacancy – one reportedly now filled by the first lady, who is now the nexus of power and ‘deal making’ at the door of **Aso Rock**, the president’s residence. Buhari’s wife reportedly played a significant role in outmanoeuvring the Kyari cabal and securing the appointment of **Ibrahim Gambari** as the president’s new chief of staff (see *ARC Briefing Nigeria May 2020*).

### Economic situation is dire with no apparent solution in sight

Although weakening of the cabal has done little to alter how power in Nigeria will disseminate and how business is conducted, it does remove a potential obstacle to the unification of the exchange rate and the end of the parallel currency market. The reunification of the exchange rate has been at the heart of conditionality for both the **International Monetary Fund (IMF)** and the **World Bank**. Until the **Covid-19** crisis, the Nigerian government had resisted any talk of heeding IMF and World Bank advice. According to senior political sources, the situation has changed such that Nigeria is considering all support offered:

*“We are now beholden to the IMF and World Bank and other donors. For example, there is a long-standing offer from the World Bank of \$1.5 billion in budget support facility agreed as far back as 2015. At the time the government rejected it as unnecessary and because it had one condition – the exchange rate should be unified.*

*Then, government ministers rejected it as ‘not worth it’ for \$1.5 billion to subject our monetary policy to **Washington**, but now things have changed. The money offered by the IMF and World Bank is the cheapest we can get and we just have to accept the conditionality. This is moving forward. Even the CBN governor is aligned to do the thing. The issue now is how to present it to the public.”<sup>3</sup>*

Nigeria’s economic situation remains dire despite a small improvement in the oil price. The government, struggling to pay salaries, continues to borrow on the open market to meet wage bills. At the same time, debt service obligations on the country’s Eurobonds and commercial debt continue to absorb most of the country’s oil revenue. The shortage of money is being felt at all levels of government with governors and state politicians scouring the country’s traditional sources of revenue – customs, tax and the NNPC – to pay salaries and operating costs.

There is increasing awareness that the government needs to make some form of emergency arrangement with the international donor community. There is also increasing domestic pressure for a change in the economic team, which itself has started to align with donor demands. One of the donor community’s main demands is for changes at cabinet level, to bring in an economic team that places substantial reforms on the agenda. The reforms are long-standing and include public sector reform, to consolidate and rationalise government departments.

### EFCC at the centre of political tussles again ...

Among the long-standing reforms that international donor and anti-money laundering institutions are demanding is a body with the capacity and independent mandate to investigate corruption and financial crime. As part of Buhari’s anti-corruption drive early in his first term, he merged the **Economic and Financial Crimes Commission (EFCC)** and the **Independent Corrupt Practices Commission (ICPC)** into a single body (see *ARC Briefing Nigeria April 2015*). But the EFCC now finds itself the focus of corruption allegations with EFCC acting chairman **Ibrahim Magu** and ten staff members suspended for criminal and corrupt activities on 7 July.<sup>4</sup> The **Department of State Services** arrested Magu on 6 July on charges of “*action prejudicial to state security*”, alleging that he owns four properties and was transferring funds abroad through a third party.<sup>5</sup> The large-scale foreign exchange transactions allegedly include a \$1.5m property in **Dubai (United Arab Emirates)** and the diversion of over \$1.3 billion in recovered assets.<sup>6</sup>

<sup>3</sup> Senior source, presidency

<sup>4</sup> Nairametrics, 6 Jul 2020

<sup>5</sup> The Street Journal, 6 Jul 2020

<sup>6</sup> Financial Times, 16 Jul 2020

Activists have challenged the suspensions claiming they are politically motivated but the government's anti-corruption adviser's team has defended its action. Magu and his lawyer claim there is a power struggle between Magu and attorney-general **Abubakar Malami** over anti-corruption efforts. Malami is a close ally and associate of President Buhari. Malami's own reputation for pursuing corruption investigations is poor and Buhari's loyalty to him is reported as an obstacle in the fight against domestic corruption and recovery of stolen funds.<sup>7</sup> As former head of the economic governance unit (EGU), Magu was prominent in the investigation into former **Delta State** governor **James Ibori** who in 2012 pleaded guilty in a **United Kingdom** court to money laundering and conspiracy to defraud (see *ARC Briefing Nigeria December 2015*).<sup>8</sup> Buhari appointed Magu acting chairman of the EFCC in December 2015 when former chairman **Ibrahim Lamorde** tendered his resignation after failing to secure a second term from Buhari.

According to ARC sources, the screening for the chair's replacement is already complete. The presidency has screened five candidates: two remain on the list, notably one retired police commissioner.

### ... as a major corruption case draws to a close

Meanwhile, **Italian** prosecutors are calling for an eight-year prison sentence for the chief executive of Italy-headquartered oil major **Eni** and seeking \$1.1 billion in fines from defendants including the oil major and **Royal Dutch Shell** over an allegedly corrupt Nigerian oil block deal.<sup>9</sup> The corruption case, which has become known as the **OPL 245**, is one of the most significant cases in the oil industry's history. Prosecutors allege that nearly all of the \$1.3 billion that Shell and Eni paid in 2011 for the OPL 245 offshore oil block went towards bribes for businessmen, middlemen and Nigerian officials, notably Nigeria's former oil minister, **Dan Etete**, who owned the block. Etete had awarded himself the oil block while he was serving as a minister. Prosecutors are also seeking a 10-year sentence for Etete.

### Security issues come to the fore

As reported in previous ARC Briefings, the government has raised the profile of security within the presidency as security conditions in north-east Nigeria continue to deteriorate, as piracy plagues the coast, and as fears rise that Nigeria's Covid-19 economic crisis may spark violent protest and political unrest.

Security conditions in the region were at the heart of a regional visit mid-month by President Buhari to **Mali**. Militant group **Islamic State** and its regional ally, **Boko Haram**, have waged a low-level conflict with little successful opposition from Nigeria's armed forces for over a decade, provoking a significant humanitarian crisis. On 23 July, a **United Nations** spokesperson reported that Boko Haram militants had killed five hostages – four aid workers and a security guard – who had been abducted in **Borno State** in June. Islamist militants released a video in which the hostages identified themselves.<sup>10</sup> The aid workers worked for the **International Rescue Committee** and **Action Against Hunger**.

With Nigeria's once famed army under pressure in the north-east of the country, its navy faces considerable pressure, too. A report by **Germany**-based financial services company **Allianz**'s security unit says the **West African** coast has overtaken **Southeast Asia** as the worst area for reported piracy and kidnappings at sea last year, with the number of seafarers seized rising by more than 50%.<sup>11</sup>

<sup>7</sup> ARC source, Abuja

<sup>8</sup> Premium Times, 9 Nov 2015.

<sup>9</sup> Financial Times

<sup>10</sup> Reuters, 23 Jul 2020

<sup>11</sup> Bloomberg, 15 Jul 2020

## Planner

2023 (Nigeria) Presidential elections;

## Chronology

23 Jul 2020 **Borno State (Nigeria)** *CNN*. A **United Nations** spokesperson says **Boko Haram** militants killed five hostages, including four aid workers, who were abducted last month in **Borno State**;

19 Jul 2020 **Abuja (Nigeria)** *Punch*. Foreign affairs minister and **Coronavirus Presidential Task Force** member **Geoffrey Onyeama** announces that he has tested positive for **Covid-19**;

16 Jul 2020 **Abuja (Nigeria)** *Reuters*. President **Muhammadu Buhari** says government is set to reform **Nigeria's** gold mining sector, which will produce revenue of \$500m annually;

15 Jul 2020 (**West Africa**) *Bloomberg*. A report by **Germany**-based financial services company **Allianz's** security unit says the **West African** coast has overtaken **Southeast Asia** as the worst area for reported piracy and kidnappings at sea last year, with the number of seafarers seized rising by more than 50%;

14 Jul 2020 **Abuja (Nigeria)** *AA*. **Economic Community of West African States** appoints former **Nigerian** president **Goodluck Jonathan** as a special envoy to head its mediation mission in **Mali**;

14 Jul 2020 **Abuja (Nigeria)** *EMPEA*. **Partech, International Finance Corporation, Women Entrepreneurs Finance Initiative** and **MSA Capital** lead a \$10m pre-Series B for **Nigeria**-based B2B e-commerce startup **TradeDepot**;

10 Jul 2020 **Abuja (Nigeria)** *Nairametrics*. Finance minister **Zainab Ahmed** says **Nigeria** will reach 56% of its target revenue from January to May due to the global oil price crash and the **coronavirus** pandemic;

7 Jul 2020 **Abuja (Nigeria)** *EMPEA*. **Actis**-backed pan-**African** education group **Honoris United Universities** acquires **Nigeria**-based **Nile University**, marking the group's first investment in **West Africa**;

6 Jul 2020 **Abuja (Nigeria)** *Nairametrics*. Authorities arrest **Economic and Financial Crimes Commission** acting chairman **Ibrahim Magu** after he is found guilty of "*action prejudicial to state security*";

1 Jul 2020 **Abuja (Nigeria)** *AA*. Aviation minister **Hadi Sirika** says **Nigeria** will begin reopening its airports from 8 July following a three-month lull due to the **coronavirus** outbreak;

1 Jul 2020 **Abuja (Nigeria)** *Creamer Media's Engineering News*. President **Muhammadu Buhari** launches a \$2.6 billion **Ajaokuta-Kaduna-Kano** gas pipeline project that he says will further enhance the country's energy security;

29 Jun 2020 (**Africa**) *Reuters*. Draft **European Union (EU)** list shows only citizens from 10 **African** countries – **Algeria, Egypt, Ethiopia, Mauritius, Morocco, Mozambique, Namibia, Rwanda, Uganda** and **Zambia** – will be allowed in the EU when it reopens external borders on 1 July;

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