

AFRICA RISK CONSULTING

Country briefing – Nigeria

April 2013

1 Summary

President Goodluck Jonathan establishes committee to determine the practicalities of granting an amnesty to Boko Haram. The committee is to report back in three months. The fractured nature of Boko Haram and its previously dismissive attitude towards amnesties suggests violence will continue in the north. Unbundling of the Power Holding Company of Nigeria moves a step closer as preferred bidders pay 25% of their total bid to acquire majority stakes. Electricity prices are likely to rise, triggering street protests. Series of kidnappings in Lagos leads to international companies and embassies reviewing their security protocols.

2 Political dynamics

2.1 President Goodluck Jonathan reaches out to Boko Haram

The federal government established a committee to discuss the possibility of granting an amnesty to members of the **Islamist** militant group **Boko Haram**. This suggests that President **Goodluck Jonathan** is moving away from his previous policy of seeking a military solution to the insurgency in the north, and now appreciates the need to address regional grievances. The committee has three months in which to determine the practicalities of disarmament, amnesty and compensation programmes, and to open discussions with the group. The formal name of the body is the **Presidential Committee on Dialogue and Peaceful Resolution of Security Challenges in the North**. President Jonathan appointed **Malam Kabiru Turaki** as chair. Turaki is a minister of special duties in the office of the president and his appointment should be well received. A northerner from **Kebbi**, he is a senior advocate, the highest position a lawyer can rise to in the Nigerian legal system, while the honorific title malam reflects previous Islamic scholarship, something Boko Haram's traditional leadership will value. He is also on the board of **Shenshui**, a Nigerian-**Chinese** oil and gas marketing company active in the north of the country. This private sector background could be significant in getting the buy in of the northern elite, which is currently undecided:

“They are neither necessarily for nor against Boko Haram. Their main fear is that the north will become a total basket case, but at the same time they are afraid of Boko Haram so continue to sit on the fence.”¹

The amnesty programme is Jonathan’s first deviation from his previous approach of seeking a military solution. A meeting of the **National Defence Council** preceded the announcement of the committee. President Jonathan chaired the meeting, which was attended by the service chiefs. It appears therefore that the change in strategy has the buy in of the military. The death of 185 combatants and civilians in heavy fighting between government forces and Boko Haram militants in **Baga in Borno** state in April may have proved the inadequacy of the military approach.² This change of strategy may be more significant than the committee itself. Jonathan admitted that the committee faced an all but impossible task, *“all Nigerians are expecting this committee to perform magic and I pray that Allah should give you the wisdom to do so.”³*

The committee is unlikely to achieve any meaningful dialogue with Boko Haram’s leadership before making its recommendations. It may have had more of a chance in the past, before Boko Haram split into three factions. Criminal groups and international fighters, including from **Mali** and **Niger**, have joined the original militant Islamists.

*“Who is the Boko Haram leadership? The name is now an unofficial mantle that various groups pick up and put down as they see fit. It’s now an unofficial mantle. The original Islamists probably have the most fixed leadership, but if ideologically motivated, are they really going to accept money? It’s not like the **Movement for the Emancipation of the Delta** who were primarily motivated by money so the amnesty was a logical conclusion”⁴.*

Before Jonathan had even announced the offer of an amnesty, the Islamist **Boko Haram** leader **Abubakar Shekau** had, earlier in April, in fact dismissed the possibility of accepting any such deal⁵. In

¹ Source, businessman, Nigeria

² AP, 19 April 2013

³ Vanguard, 25 April 2013

⁴ Source, businessman, Nigeria

⁵ Reuters, 11 April 2013

2011, Boko Haram rejected a similar offer from **Kashim Shettima**, then governor elect of Borno, claiming that they did not recognize the Nigerian constitution.

3 Business Dynamics

3.1 Power companies sign agreements for unbundling of Power Holding Company of Nigeria assets

At a ceremony in **Abuja** in April, preferred bidders paid 25% of their total bids to acquire majority stakes for the **Power Holding Company of Nigeria's (PHCN)** ten generation companies and five distribution companies⁶. The PHCN will now complete the transfer of operations within the next three months. Notable bidders include Nigerian conglomerate **Transcorp** and **US** company **Symbion**, as well as **Forte Oil** owned by Nigerian businessman **Femi Otedola** and **BSG Power** owned by Israeli businessman **Beny Steinmetz**. An inefficient and dysfunctional power sector has undermined Nigeria's business climate, economic growth and social wellbeing⁷. Many businesses resort to importing diesel for generators. According to the **National Integrated Power Project**, the government wants to increase power capacity from around 4,000MW at present to 10,000 by next year and double that by 2016. Since the late 1990s, successive administrations have tried to unbundle and privatise the PHCN. The reform process has met many obstacles. Power minister **Barth Nnaji**, a respected reformer in Jonathan's cabinet chose to resign in August 2012 over an apparent conflict of interest. There is a division in Jonathan's cabinet between those in favour of liberalisation and those opposed. Nnaji's resignation led to questions about whether Jonathan would have the necessary political backing to continue the liberalisation process.

*"[Jonathan] is struggling to hold the balance between these two factions and may not have the strength or, in fact, the inclination to step up the reform agenda."*⁸

A number of obstacles remain, including costly investment in dilapidated infrastructure. There are questions about how companies will ensure a reliable and affordable supply of gas to the country's thermal power stations. The **World Bank** has signed a partial risk guarantee on a letter of credit from **Deutsche Bank** to finance gas supplies to the **Egbin Power Plant** outside **Lagos**. Investment will be needed to improve the inadequate transmission network to ensure the increased electricity output ends up where required. According to power minister, **Chinedu Nebu**, this will cost \$3.4

⁶ This Day, 22 April 2013

⁷ African Development Bank, Economic and Power Sector Reform Programme

⁸ Source, senior western diplomat, Lagos

billion. The **Nigeria Electricity Regulatory Commission** has already said that it is drawing up guidelines that allow operators to breach their licence obligations as they get to grips with the sector's infrastructure problems⁹.

The government has warned consumers that electricity prices will rise in the wake of privatisation, with the introduction of a compulsory metering system and new tariffs set to reflect production costs more accurately. The **Nigeria Labour Congress (NLC)** has previously threatened strikes and protests should prices increase. The government has established a committee to manage separate severance and pension disputes with the **National Union of Electricity Employees (NUEE)**. In December, the government reached agreement regarding pensions with the NUEE, but the union has accused the government of renegeing on its commitments. The NUEE has threatened strike action if the issue is not resolved before the privatisation process is completed. The government will need to handle price increases and layoffs carefully to avoid the sort of protests that followed the lifting of fuel subsidies in January 2012.

“The current cabinet is very much technocratic not political, meaning that even if they are driven by the right interests towards decisions all economic analysts can see are correct, they are liable to mess up its delivery, as with the fuel subsidy issue”¹⁰.

4 Operations

4.1 New trend in kidnappings

Lagos has previously been immune to the criminally motivated kidnappings that have targeted staff of international companies in the **Niger Delta**. In March, however, an unknown group kidnapped a **British** businessman in the high-end business and residential district of **Victoria Island**, detaining him for four days¹¹. A criminal gang also kidnapped three **Lebanese** contractors in Lagos, freeing two once a ransom had been paid. In April, police rescued a student from the **American International School** who had been abducted by gunmen. Many of the kidnappings in Lagos are apparently the responsibility of **Igbo** gangs from **Eastern Nigeria**¹². The government is attempting to play down the seriousness of this emerging trend.

⁹ Daily Trust, 16 April 2013

¹⁰ Source, senior western diplomat, Lagos

¹¹ AP, 27 March 2013

¹² Source, businessman, Nigeria

“The government has very kept quiet about this as it would be a huge blow to investment, but it is becoming a very serious problem ” ¹³.

International companies and embassies in Lagos have begun reviewing their security protocols, with several implementing an immediate curfew for staff¹⁴.

5 Implications

It is too early to say whether the Presidential Committee on Dialogue and Peaceful Resolution of Security Challenges in the North will come up with a workable meaningful amnesty programme. The fractured nature of Boko Haram and ideological rather than financial motivations of several of its factions increase the difficulties in obtaining a sustainable agreement and suggests that political and criminal violence will continue in the medium term. President Jonathan’ s recognition that a military solution alone will not work, however, bodes well for a comprehensive solution to the insurgency. The business community should view the unbundling of the Power Holding Company of Nigeria as a positive step that will contribute to Nigeria’ s economic development and ease of doing business in the country. The benefits will not, however, be felt for several years as the new owners first invest in infrastructure. Protests and public demonstrations will be likely as prices of electricity increase to meet the need for new investment. The threat of criminal kidnapping for ransom in Lagos is increasing and companies should review and update relevant vulnerability scenarios and security protocols as appropriate.

¹³ Source, businessman, Nigeria

¹⁴ Source, western diplomat, Lagos