

AFRICA RISK CONSULTING

Country briefing – Nigeria

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1 Summary

People's Democratic Party suspends Rivers State governor Chibuike Rotimi Amaechi as President Goodluck Jonathan tries to limit the influence of the governors' forum. The move is related to Jonathan's attempts to build support within the party for his 2015 re-election bid. Nigerian Sovereign Investment Authority announces that \$1 billion sovereign wealth fund will begin investing in June. President Jonathan declares a state of emergency in the three northeastern states of Borno, Yobe and Adamawa. The Nigerian military is apparently struggling to stop Boko Haram militants crossing borders into Niger and Cameroon.

1.1 People's Democratic Party suspends Rivers State governor

The ruling **People's Democratic Party (PDP)** suspended **Rivers State** governor **Chibuike Rotimi Amaechi** in a dispute about an apparent violation of party rules over a local council issue. The censure is more likely an attempt to clip the governor's wings as opposition to president **Goodluck Jonathan** in his bid for re-election in 2015. Graffiti has appeared in recent months in **Port Harcourt**, capital of Rivers, calling on Amaechi to launch a competing bid for the presidency¹. Amaechi was suspended at an emergency meeting of the PDP national working committee on 27 May.

Amaechi had won re-election to the chair of the **Nigeria Governors' Forum (NGF)** on 24 May, defeating **Plateau State** governor **Jonah David Jang**, also a member of the PDP². This was the first time that elections had been held for chair rather than a decision made by consensus. Jang disputed the outcome and declared himself chairman, arguing that he had the support of the majority of governors regardless of their actual votes. The NGF is a highly influential body that helps to resolve constitutional issues between the governors and the president. It played a particularly strong role under president **Umaru Musa Yar'Adua** (1999- 2007) when it influenced government policies and ministerial nominees. Amaechi was the PDP consensus candidate of the south when first elected in 2011. The NGF under Amaechi has become more of a thorn in the side of the government, and Amaechi has opposed the government on issues such as the sovereign wealth fund and excess crude account³.

"Expressions and reservations from government quarters [criticising] the NGF as an opposition body are based on the personality of Amaechi rather than conduct of the body itself"⁴.

¹ Source, Lagos analyst

² This Day, 24 May

³ Source, former government official

⁴ Source, former government official

Tension between Amaechi and the government began when the first lady, **Patience Jonathan**, requested that she be able to make recommendations for several government appointments⁵. Amaechi declined the request, leading to a public argument between Amaechi and president Jonathan during the demolition of the waterfront at Port Harcourt. The government recruited **Godswill Akpabio**, governor of **Akwa Ibom State**, to frustrate Amaechi's ambitions to serve a second term and to make the NGF more compliant. To support his campaign, Amaechi reached out to opposition governors who asked for the chairman to be elected rather than appointed. Not much is known of Jang. He was a military governor of the former **Gongola** state during **Ibrahim Babangida's** military rule (1985-1993) of Nigeria. In recent months, however, he has spoken out in favour of Jonathan's administration and his attempts to impose peace on the restive north⁶. Jang also enjoyed the support of the **Northern States Governors' Forum**, following the withdrawal of **Bauchi State** governor, **Isa Yuguda**, and **Katsina State** governor, **Ibrahim Shema**. Having imposed a state of emergency on the north, it would be prudent of Jonathan to keep the northern governors onside.

These political machinations appear to be part of the campaign to determine who will represent the PDP in 2015. The PDP remains divided over the issue of whether to abandon its policy of rotating candidacies between north and south so as to allow Jonathan to stand again⁷. This would alienate a powerful faction of northern members opposed to Jonathan, a southerner, retaining the candidacy. Amaechi, also a southerner, has allied himself with northern members of the PDP. The northern members of the party would be equally unhappy to see Amaechi as president in 2015. They may, however, allow him to position himself for a future bid if he helps hinder Jonathan's attempts to win the PDP candidacy. Amaechi could well act as kingmaker in 2015, unable to decamp from the PDP but with a war chest that oil production in his state allows him to collect. According to a political analyst, Amaechi is estimated to collect between \$150- 200m a month in oil revenue⁸. According to the same source, if Jonathan does not have sufficient support to benefit from the war chests that oil revenue and state level infrastructure allows governors to collect,

"he may as well not bother standing again. Not only would he not win the general election, he would struggle to get through the primaries".

When Jonah Jang opened the NGF secretariat in **Abuja** on 30 May, 19 of Nigeria's 36 governors were absent⁹. The dispute has also acted as a boon to Nigeria's opposition with the **Congress for Progressive Change (CPC)** and the **All Nigeria People's Party** criticising Amaechi's suspension¹⁰.

1.2 Sovereign wealth fund to begin investing in June

Nigeria's \$1 billion sovereign wealth fund is to begin investing in June, after its board approved its investment policy statements across its three funds¹¹. The **Nigerian Sovereign Investment Authority** inaugurated the

⁵ Source, former government official

⁶ This Day, 18 May

⁷ Source, western diplomat, Lagos

⁸ Source, political analyst, Abuja

⁹ Punch Nigeria, 31 May 2013

¹⁰ This Day, 31 May 2013

fund in October but there have since been a series of delays. By February, there were serious concerns that it would never begin investing¹². Nigerian governors oppose the fund, wanting oil revenue to be distributed down the three tiers of government. Their opposition has ensured that the fund only has \$1 billion to begin with, as opposed to the \$5.27 billion currently in the excess crude oil account that it is to replace¹³. The fund is to invest savings made from the difference between budgeted oil prices and actual market prices. This should reduce Africa's largest oil producer's vulnerability to swings in global prices. In May, the **International Monetary Fund (IMF)** warned that declining crude oil prices would have a detrimental impact on the country's excess crude oil account. The IMF estimated that a fall to between \$80- \$85 per barrel would wipe out the account's balance within a year¹⁴. Nigeria was one of only three **Organization of the Petroleum Exporting Countries (OPEC)** not to have a sovereign wealth fund. The hope is that the fund will provide a firmer ring fence to oil revenue than the excess crude account, which politicians were able to dip into all too easily. The allocation of the holdings, however, represents the government's priorities, with the future generations and infrastructure funds accounting for 32.5% of the total, and the stabilisation fund to protect against commodity prices only 20%¹⁵. The future generations fund is to begin in June, and will invest globally in equities, private equities and real estate. The stabilisation fund will also begin in June and will invest in safer instruments including treasuries and corporate bonds. The management of the stabilisation fund will, at least initially, be outsourced. The infrastructure fund is to invest in domestic infrastructure alone, and will begin operating in the second half of the year.

1.3 President Jonathan declares state of emergency and mobilises troops in north east

President Jonathan declared a state of emergency in the three northeastern states where **Boko Haram** militancy has been at its fiercest on 14 May¹⁶. Jonathan did not remove the governors of **Borno, Yobe** and **Adamawa**, even though he has the power to do so during a state of emergency. This may indicate that he realises any sustainable solutions to the insurgency must be political as well as military. In the short term, however, the emphasis will be on the military, with approximately 3,000 soldiers currently deployed to the three states¹⁷. According to a former Nigerian army officer, the state of emergency will last at least six months, but the president may be willing to extend it by a further six months should this prove necessary¹⁸.

¹¹ Bloomberg, 20 May 2013

¹² Source, senior western diplomat, Lagos

¹³ Vanguard, 13 May 2013

¹⁴ This Day, 9 May 2013

¹⁵ Bloomberg, 20 May 2013

¹⁶ Nigeria Guardian, 15 May 2013

¹⁷ BBC, 1 June 2013

¹⁸ Source, former Nigerian army officer

Boko Haram had increased activity in May in apparent defiance at the government's proposed amnesty programme announced the previous month. On 8 and 9 May, the Amnesty Committee met Nigerian security chiefs in **Abuja** and Boko Haram members detained in **Kuje** prison near the capital. On 9 May, around 200 heavily armed Boko Haram gunmen launched coordinated attacks on military barracks and a prison in **Bama**, capital of Borno State, killing 42 people¹⁹. With communication to the region hard, it is difficult to verify the military's claims that it has destroyed Boko Haram camps and seized weapons caches, including one apparently belonging to **Hezbollah** that was to be used on attacks on western and **Israeli** targets²⁰. According to a former Nigerian army officer, the military has founded the counter insurgency operation harder than it estimated due to Boko Haram's small cell structure, which makes it particularly elusive²¹.

It appears increasingly likely that Boko Haram is receiving support from militant groups in neighbouring countries²². Regional tensions may be exacerbated by the displacement of refugees across Nigeria's borders. According to the **United Nations Office for the Coordination of Humanitarian Affairs**, "tens of thousands" of people fled Borno state when the Nigerian air force began launching air raids in May²³. The military is apparently struggling to differentiate between civilians and militants fleeing the fighting. Escaping militants mean that the insurgents will be able to regroup and launch fresh attacks in the future. It also raises concerns that the conflict will prove contagious across the region. Many fled to **Niger** and **Cameroon**, with most crossing through the network of unofficial trade routes that crisscross the porous borders of the region. On 1 June, gunmen attacked the central prison in **Niamey**, Niger, freeing 22 Boko Haram militants and a member of **al Qaeda in the Islamic Maghreb**²⁴.

2 Implications

The dispute between Amaechi and Jonathan will be unlikely to split the PDP, a party bound together more by a desire to remain in power than any cogent political ideology. The emergence of the **All Progressives Congress** as a meaningful opposition in recent months will make the PDP even more conscious of the need to remain unified. Companies, especially in the oil sector, should, however, monitor the dispute closely. Rivers is a major oil producer in the **Niger Delta** and any ratcheting up of political tensions may well affect production. The 2015 election coincides with the cessation of the Delta's amnesty and payment programme, which will be detrimental to the region's security outlook. This will be especially true if militants see the possibility of a non- Delta president who would pose a challenge to their influence and patronage²⁵.

¹⁹ IRIN, 22 May 2013

²⁰ AFP, 2 June 2013

²¹ Source, former Nigerian army officer

²² BBC, 30 May 2013

²³ IRIN, 22 May 2013

²⁴ AP, 1 June 2013

²⁵ Source, Africa analyst

The sovereign wealth fund beginning operations is a key step towards more effective longer term fiscal planning. The long term saving of oil revenue will, however, require political will. Whether Jonathan appeases the restive state governments by allowing them to dip in and out of the fund in the run up to the 2015 election will indicate whether or not Nigerian politicians are ready to adopt a more conservative fiscal outlook.

The state of emergency will dampen the Boko Haram insurgency in the short term. By allowing militants to escape Nigeria's borders, the federal government is increasing the chance of regional contagion. Nigeria is likely to be the victim of cross border raids by Islamist militants even as the government establishes control of the centre of the northeastern states. Long-term stability in Nigeria will only come with a political solution, but the offensive will hinder the work of the amnesty committee. Western businesses in Nigeria and neighbouring Cameroon and Niger are likely to be targets of Islamist militancy and should monitor events closely, updating security protocols as appropriate.