

Investing in Nigeria Politics

Echoes of Biafra war as country looks to polls

The optimism that greeted President Buhari's election has dimmed as time runs out to drive reforms, writes *Matthew Green*

Soon after President Muhammadu Buhari returned home from three months in the care of doctors in London, he made a five-minute speech on live television to reassure Nigerians he was still up to the job. Comedian Okey Bakassi (see page 10) captured the popular mood when he quipped on his satirical show *The Other News* that the August broadcast left "a lot of people like a bride on her wedding night: very unsatisfied".

It seems like a long time since March 2015, when Mr Buhari, a stern former military ruler, marked a defining moment in Nigeria's journey by becoming the first opposition candidate to unseat an incumbent party democratically since independence.

The optimism that greeted what seemed an auspicious moment for Africa has since curdled into unease over the administration's capacity to drive reform as the country lurches towards the next poll in 2019.

"I don't see anything of major significance happening in terms of reform," says Adedayo Ademuwagun, an analyst at business intelligence consultancy Songhai Advisory. "The focus is going to be on putting out fires."

The most pressing questions are about the state of the 74-year-old president's health, his response to secessionist agitation and the level of likely disruption as party grandees vie for position in the next presidential race.

The challenge causing greatest anxiety is the demand for the creation of a breakaway state of Biafra in the south-east by Nnamdi Kanu, leader of the separatist organisation Indigenous People of Biafra (IpoB). Mr Kanu's provocative rhetoric has revived memories of the civil war of 1967-70, when an attempt by Igbo separatists to create an independent Biafra homeland led to the deaths of an estimated 1m people.

Mr Buhari owed his 2015 victory in large part to an alignment between his fellow northern Muslims and the Yorubas in the south-west, who identified with Yemi Osinbajo, his technocratic



Portrait: separatist leader Nnamdi Kanu has gone into hiding — Reuters/Alexis Akwagayam

vice-president and a Christian pastor. Notably, Mr Buhari's All Progressives Congress coalition fared poorly in the south-east — the heartland of the Igbo community where talk of an independent Biafra has never gone away.

While it is difficult to tell genuine secessionist sentiment from pre-election troublemaking that would benefit Mr Buhari's opponents, last year's recession and the feeling of disenfranchisement in the area have given greater resonance to calls for self-determination.

It is a scenario that could easily spin out of control, particularly if more militant members of other ethnic groups start to whip up popular resentment against Igbos, who can be found living all over Nigeria. In June, youth leaders in the north retaliated against the separatists by pledging to expel all Igbos from their region if they did not leave by October. The ultimatum was rescinded in August under pressure from officials, who feared massacres.

'The president's broadcast left a lot of people like a bride on her wedding night: very unsatisfied'

A former general who fought for the government during the civil war, Mr Buhari has taken a tough line with the separatists. In 2015, Mr Kanu was jailed for treason. Released on bail in April, he has since been in hiding.

Mr Buhari, emboldened by the apparent success of a crackdown on the Boko Haram insurgency in the north-east,

made a show of force by deploying troops into five south-eastern states in September. The government also designated IpoB a terrorist organisation.

Some say the president is too tough, comparing his approach to the more conciliatory one used by Mr Osinbajo who dealt with a flare-up in the Niger Delta — the centre of Nigeria's oil industry — while Mr Buhari was receiving medical care in the UK.

"The administration itself has a share of blame in terms of creating a conducive environment for the separatist movement to take root," says Manji Cheto, senior vice-president at Teneo Intelligence, a political risk consultancy.

While there is tentative consensus in Abuja that Mr Buhari's integrity has ended the carnival of corruption that flourished under previous president Goodluck Jonathan, the window for further reform is all but shut. "Effectively, from December 1 this year, Nigeria will be in full campaign and political mode across the country," says Bismarck Rewane, chief executive of the Financial Derivatives consultancy in Lagos.

In September, Nigerians caught a glimpse of the machinations in the current cabinet in a video that went viral on social media. The footage showed Aisha Alhassan, minister for women's affairs, pledging allegiance to Atiku Abubakar, a former vice-president who is likely to make another presidential bid.

As the APC and its main rival, the People's Democratic Party, look ahead to primary season, a familiar cast of political barons is ready for battle. The question that even Mr Buhari may not yet be in a position to answer is whether he will be willing — or able — to run again.

Familiar problems mask nation's dynamism

Continued from page 1
is the fragility of its infrastructure. A small number of investment funds are rising to the challenge of attracting capital to what is a frustratingly slow-moving sector.

Part of that frustration stems from what many say is a puzzling lack of initiative from the federal government in Abuja. President Muhammadu Buhari came into office in 2015 on a promise of change and with a mandate to tackle corruption, security and the economy. But his tenure has been interrupted by long trips for medical treatment abroad.

Insiders in Abuja talk of an administration that is aloof, uninterested in the day-to-day work of government and suspicious of the business community in Lagos. The corruption that sickened many voters during the previous administration of Goodluck Jonathan has been replaced by what one senior figure describes as "legalised theft", made possible, he argues, by Nigeria's multiple exchange rates that benefit those near the centre of power.

Meanwhile, complaints of corruption in everyday life are as loud as ever. For one business leader, the best thing the government could do to help ordinary Nigerians would be to "get out of the way".

Yet the Buhari administration is running out of time. "All eyes are on [elections in] 2019 — there's a lot of electioneering going on in the background," says



Adeyayo Ademuwagun, a Lagos-based analyst at Songhai Advisory. "That's going to hamper decision-making and prospects for reform."

Critics concede that Mr Buhari's All Progressives Congress coalition has made some progress in easing tensions between the mainly Muslim north and the mainly Christian south-west, while also making inroads against the Boko Haram Islamist insurgency in the north-east. However, the resurgence of a separatist movement in Biafra in the south-east, where the coalition is less popular, is causing concern.

Another problem is that the government in Abuja does not operate as a single entity. Different parts run at different speeds. During Mr Buhari's absences, his vice-president, Yemi Osinbajo, has pushed ahead with

pro-business reforms. Yet this also contributes to uncertainty.

In the words of Andrew Alli, chief executive of the Africa Finance Corporation, a multilateral lender whose biggest shareholder is Nigeria's central bank: "The government's stated policy is to be more business friendly, but it is happening faster in some cases than in others."

A senior banker in Lagos puts it differently: "There is no policy co-ordination. Policy is rhetoric, nothing more." But there has been progress. Nigeria rose 24 places to 145 in the World Bank's latest ranking of countries according to ease of doing business. Although still low, its leap made it one of the 10 most improved countries.

Mr Balogun at Chapel Hill Denham insists that Nigeria's dynamism is waiting to be unleashed. In a previous role he was co-founder of Airtel, one of Nigeria's biggest mobile phone companies — an industry, he notes, that has grown to 140m users in a population of 186m from a standing start in 2001. That is what happens, he says, "when you allow tariffs to be cost-effective". He argues that the same could be true of electricity provision in a competitive market.

That, indeed, is the challenge for politicians in Abuja: to allow Nigeria's creative energy to overcome that other parallel reality holding the country back.

Additional reporting by Matthew Green.

Contributors

Jonathan Wheatley
Emerging markets deputy editor

Matthew Green
Former FT west Africa correspondent

David Pilling
Africa editor

Anjli Raval
Oil and gas correspondent

Steve Johnson
EM Squared deputy editor

Nic Filides
Telecoms correspondent

Owen Walker, Ian Smith
Commissioning editors

Will Bramhill, Mark Dorman
Sub-editors

Steven Bird
Designer

Michael Crabtree, Alan Knox
Picture editors

For advertising details, contact: **Mark Carwardine**, +44 (0) 20 7873 4880 and mark.carwardine@ft.com, or your usual FT representative.

All editorial content in this report is produced by the FT. Our advertisers have no influence over or prior sight of the articles.

All FT Reports are available at: ft.com/reports

Follow us on Twitter @ftreports

Oando PLC is Africa's leading energy solutions provider. With a primary listing on the Nigerian Stock Exchange, Oando was the first African company to have a cross-border inward listing on the Johannesburg Stock Exchange. Group Chief Executive **Wale Tinubu** shared these comments on Oando's current strategy and vision.

"looking at a long-term adjustment"

Q: The oil & gas sector today in Nigeria seems to be at a crossroads faced by a host of challenges, regulatory issues, low oil prices, market pressures, competition, etc. Can you identify and address Oando's most robust business challenges and speak about how you are addressing them head-on?

Wale Tinubu (WT): The oil downturn sent economic shocks around the world; the hardest hit were sector operators and oil dependent economies. In Nigeria, this resulted in a recession, the first in over two decades. In the same period, we also witnessed renewed militancy in the Niger Delta resulting in a slump in production, from a high of over 2.2 million barrels per day to an all-time low of nearly 1.5 million barrels per day as well as the non-passage of the Petroleum Industry Bill (PIB). However, I believe the worst is over as the country has officially exited the recession buoyed by growth in both the oil and non-oil sectors of the economy. I must commend the efforts of the Government for its role in facilitating an improvement in the country's fortunes in 2017.

The oil sector grew remarkably this year, achieving real growth of 1.64% compared to -15.60% in Q1, 2017, the first time since 2015. Although this growth was impacted by Nigeria's exemption from the global oil production cut by the Organization of the Petroleum Exporting Countries (OPEC), the sustained peace efforts in the Niger Delta was primarily responsible for the restoration in crude production levels. In July of this year, the Petroleum Industry Governance and Institutional Framework Bill (PIGB) was approved and three petroleum industry bills passed second reading in the Senate; the expectation is that these reforms will lead to a more efficiently regulated oil and gas industry, a conducive business environment for sector players and consequently, further encourage investment, both foreign and local into the sector.

Having secured circa 470mmboe in 2P reserves our objective as a business is to ensure production remains at an optimal level and the Company remains profitable. Bearing in mind the country has always had a developing regulatory landscape, our biggest business challenges relate to the value creation and protection imperatives within the upstream sector. Specifically Joint Venture (JV) funding for exploration and development activities and security, primarily the protection of our assets across the country in order to reduce occurrences of interruptions caused by sabotage.

On JV funding, the Government has taken the first steps to instituting a mechanism for the repayment of NNPC's portion of monies owed to the JVs over the past years in the form of a Repayment Agreement. Within this framework, they have also included a clause that drives the institution of a committee to transition the current Joint Venture into an Incorporated Joint Venture (IJV) where the parties are more than just owners of an undivided share of the joint venture's capital, risks and liabilities, but shareholders in a new company with the assets and liabilities belonging to the IJV. They will in turn be responsible for its financial obligations and obtaining capital for its operations. The implementation of the IJV will signal the dawn of a new era, a long awaited solution to the challenges of JV funding in Nigeria. The new arrangement is assured to scale up investments in the oil and gas sector, while also boosting production output and revenue significantly.

Regarding security, we are actively working with our JV partners and host communities on improving the security along our asset footprint. Alongside the commendable efforts by the Federal Government, the country has seen its highest and sustained oil production numbers since 2015. A real testament to the resolve of all stakeholders within the sector.

Q: Last year you spoke boldly about progress that had been made in security in the Niger Delta, and you elaborated about your POWERS approach to working closely with communities. The movement in the world toward greater economic inclusion and greater social equality continues to grow. Can you bring us up to date on how Oando continues to structure its business model with social impact as an important element?

WT: Our framework for social impact is premised on two principles, an inclusive approach and the multiplier effect. These two principles characterise our two social intervention programmes, both of which are community based.

Our belief is that education remains the most powerful empowerment tool within a community. With this in mind we set up the Oando Foundation in 2011. The Foundation was established as a standalone charity with a mandate to bridge the gap in the Nigerian educational system by addressing the issues of access and improving the quality of teaching and learning outcomes in primary schools, with a focus on the girl child. As a company we understand the important role public private partnerships play in moving the economy forward, to this end the Foundation actively supports and works with the Nigerian Government in achieving its education development goals. The Foundations signature and holistic program is the 'Adopt-A-School Initiative'.

Our interventions include the adoption and rehabilitation of dilapidated public primary schools, equipping schools with modern facilities such as ICT centres to increase enrolment and facilitate improved learning, training teachers, awarding scholarships and continuous community engagement to reinforce the importance of education.

We believe that partnerships and collaboration are integral to effectively realizing our ambitions and have previously partnered the likes of the US Department of State (Global Partnership Initiative), UNESCO, Microsoft and LEGO. More recently our partnerships include Theirworld, a global children's charity to empower vulnerable Nigerian girls and young women by giving them a unique opportunity to learn important technology skills in a safe environment through an innovative pilot project — Code Clubs, Educate A Child (EAC), a programme of the Education Above All Foundation, Qatar to support the enrolment of children in Northern Nigeria and Sumitomo Chemical, a Japanese chemical company supporting us on ICT education through the establishment of solar powered ICT centres in our adopted schools.

Today we have successfully adopted over 80 public primary schools across 23 states in Nigeria, renovated 30 of these under the infrastructure development component and established 17 ICT centres and 3 Early Child Care Development (ECCD) centres. In a bid to further encourage participation beyond primary education, we have awarded scholarships to over 1,000 students and facilitated the training of 1,700 teachers. In the medium term, we aim to invest circa \$7.8 million in the education sector positively impacting over 2.8 million lives.

Our work in the education sector is not isolated from the work we do in the communities where we operate. With our POWERS approach we continue to foster good relations with these communities and encourage development by initiating strategic sustainable community development programs that will go a long way in building trust and mitigating prevailing restiveness and unemployment.

This approach has led to infrastructural developments in conjunction with our stakeholders who we proactively dialogue with and who in turn see themselves as part owners of all our projects. Through our skills acquisition and youth empowerment projects we have been able to tackle the mitigating unemployment problems, thereby creating a win-win situation for all.

Q: How optimistic are you about the Federal Government's attempt at reforming your sector? The Nigerian Vice President and a number of private-sector business leaders and industrialists speaking at the recent FT Africa Summit expressed a great deal of bullishness on not only your sector but the diversification of the Nigerian economy. Do you share that up-beat mood?

WT: It's difficult not to share in the optimism based on the evidence before us all. The country's exit from recession, its propulsion 24 places to 145th on the Ease of Doing Business World Bank ranking and being placed within the top ten reformers globally by the World Bank validate the Government's concerted efforts towards creating a viable economy.

I believe the Government's focus on revenue protection and economic diversification has underpinned the performance we have observed to date. Most notable is the operationalization of the Treasury Single Account (TSA) system, a public accounting system that enables the Government manage its finances by ensuring that at any given time, a comprehensive overview of cash flows across the entire Government is visible thereby facilitating increased transparency in public financial management. The introduction of the TSA has resulted in the consolidation of over 20,000 bank accounts previously spread across Deposit Money Banks and savings in excess of N56.4 billion annually in bank charges alone.

Our financial sector has also improved especially with the ongoing FX regime reforms by the Central Bank, which have seen increased stability in the FX market, and an increased appetite for Nigerian stocks by foreign portfolio investors.

Efforts of economic diversification are evident in the return of the manufacturing sector to positive territory after five quarters of negative growth. It grew by 1.36% in Q1 2017 after falling to -7.0% for the same time in the previous year. In spite of the recession the agriculture and solid minerals sectors improved performance, achieving growth numbers of 4.11% and 7% respectively.

With regards to the country's oil and gas sector, I remain optimistic. As the country charts a path through recovery, we see substantial progress in the Government's drive to sustain peace in the Niger Delta, the implementation of policies aimed at increasing transparency and accountability in the operations of the Nigerian National Petroleum Corporation (NNPC), efforts toward increasing in-country refining capacity, improving the business environment and encouraging investment.

Q: Last year you told journalists that the worst was over when referring to economic stress and the low price of oil. Will prices now rebound or are we looking at a long-term adjustment to current price levels?

WT: I do believe that the worst is certainly over, however we are in a low oil prices for longer scenario. We have seen oil prices rebound to their highest this year and I believe that prices will stabilize around that \$60 mark. Though the OPEC's decision to freeze oil production in members' state was a commendable and welcome relief, a lot more will be required to drive oil prices up significantly.

Following a forecast by the EIA, US oil production is expected to reach a record high this year. In addition, the increasing improvements and attraction to alternative energy for use in transportation and power generation across predominantly developed countries will impact demand and ultimately crude prices.

Success requires that we all look at a long-term adjustment to the current price levels and adjust strategically.



Oando
...the energy to inspire

www.oandopl.com