



Scott Wilcox Middle East

Management & Advisory Services

Nigeria Report: 17 - 24 May 2012





Key Judgements

- President Goodluck Jonathan submitted a report to the financial crimes agency regarding the \$6.8 billion fuel subsidy fraud which came to light in April.
- President Goodluck Jonathan may be preparing for negotiations with the militant group Boko Haram. Two weeks ago, an anonymous man claiming to speak for the group called a television station and stated that Boko Haram was ready to speak with the President personally.
- Improvised bombs were found in two primary schools in Kano.
- The Nigeria Extractive Industries Transparency Initiative (NEITI) alerted the House of Representatives Committee on Petroleum Resources on 23 May, that over the past 2 years Nigeria has lost \$4.3 million to crude oil theft.

This report assesses political, security and economic issues that have arisen over the past week. For a detailed record of security incidents occurring in Nigeria, subscribers should refer to Scott Wilcox Online information System (OIS).

Political Situation

Oil deal raises concerns about transparency: On 20 May, a controversial oil deal worth \$1.1 billion was signed between Shell and ENI in Nigeria. This sparked concerns regarding the transparency of the energy sector after a \$6.8 billion fraud was uncovered last month. The multinational companies paid Nigeria's government last April for control of a deepwater concession – block OPL 245. According to reports, the government agreed to transfer the proceedings from this \$1.1 billion deal to Malabu Oil and Gas, which is believed to be owned by a former oil minister and convicted money launderer, who claimed ownership of the block. Shell and ENI have acknowledged buying the block but insist they dealt only with the government.

President submits report on fuel subsidy fraud: On 22 May, President Goodluck Jonathan submitted a report to the financial crimes agency regarding the \$6.8 billion fuel subsidy fraud which came to light in April. The fraud involved mismanagement and theft by fuel marketers and government officials over the space of three years. The report recommends the restructuring of the state-oil firm and the energy ministry, as well as the prosecution of all those involved. The Economics and Financial Crimes Commission is conducting its own probe into the fraud, but the President's report is an important sign of how seriously the government is treating this case.

Listing Boko Haram as a terror group – the debate: The U.S government is calling for Boko Haram to be added to the official list of terrorist organisations. However, on 23 May Nigeria voiced its opposition to this, with the ambassador to Washington and the country's National Security advisor formally requesting that the U.S not include Boko Haram on the list. Nigeria fears that adding Boko Haram to the U.S watch list would make it more difficult for Nigerian citizens to travel to the U.S, and that it will affect bilateral trade between the two countries. However, President Obama is coming under increased pressure from Congress to add the group to the watch list.



MTN service is hampered by sabotage: Africa's largest mobile phone operator has said that militant attacks, sabotage and shutdowns by state agencies seeking undue taxes are all hampering efforts to meet service conditions set by Nigeria's regulator. Last year the regulator threatened to stop operators from signing customers unless they cut the number of dropped calls and improve connections.

Analyst's Comment: The timing of the Shell-ENI deal coinciding with the President's report on fuel subsidy fraud highlights the potentially murky waters of government dealing regarding the energy sector. It appears that just as the government is trying to recover from a political scandal another may be rearing its head. U.S attempts to add Boko Haram to the terrorist watch list are not surprising given the level of violence witnessed at the hand of the group in recent months. However, Nigeria is understandably concerned about being labelled as a country hosting an active and deadly terrorist organisation.

Security Situation

Potential negotiations between Nigerian government and Boko Haram: On 17 May, media sources reported that President Goodluck Jonathan may be preparing for negotiations with the militant group Boko Haram. Two weeks ago, an anonymous man claiming to speak for the group called a television station and stated that Boko Haram was ready to speak with the President personally. The phone call did, however, also include a threat of attacks in Abuja and Lagos. Although the authenticity of the call has not been verified, both the Defence Minister and President have expressed an interest in negotiations.

Bombs target primary schools in Kano: Improvised bombs were found in two primary schools in Kano on 17 May. The discoveries came just hours after the schools were attacked using explosives and gunfire. The attacks are suspected to be the work of Boko Haram militants, who have targeted schools in the past.

Man arrested trying to smuggle munitions into Ministry: A man was arrested on 22 May after trying to smuggle grenades and rifle ammunition into Nigeria's Information Ministry where a news conference was taking place. Police officials identified the canisters as hand grenades, but at least one had the acronym 'CS' and the word 'riot' written on the side, indicating that it is likely to be tear gas. A further canister was believed to be a stun grenade.

Nigeria sends troops to Guinea-Bissau: It was announced on 19 May that a military force being deployed to Guinea-Bissau, in an attempt to help stabilise the country, will include troops from Nigeria. Nigeria will send the largest contingent of men, providing 140 policemen and 160 soldiers towards the total force of 629. The combined Economic Community of Western African States (ECOWAS) force will replace a 600-strong Angolan force, whose presence prompted soldiers to enact a coup during an election process, with rebel groups claiming that soldiers were conspiring with the government against them.

Analyst's Comment: The attack on two primary schools by Boko Haram is shocking but, regrettably, unsurprising as Boko Haram have attacked schools in the past. President Goodluck Jonathan's determination to negotiate with Boko Haram had an opportunity to surface again



this week with the anonymous phone call suggesting that the group were ready to return to the table for talks. However, the means of this communication and the timing seem questionable, and the Nigerian government should not get their hopes up about begin peace talks again. Moreover, negotiating with the group is a highly contentious and controversial decision, which many members of society do not agree with.

Economic Situation

\$4.3 million lost in crude oil theft: The Nigeria Extractive Industries Transparency Initiative (NEITI) alerted the House of Representatives Committee on Petroleum Resources on 23 May, that over the past 2 years Nigeria has lost \$4.3 million to crude oil theft. The Executive Secretary of NEITI went on a facility tour of Shell Oil exploration activities in the Niger Delta, where she was alerted to the level of theft taking place. She said, 'the increasing rate of stealing of crude oil through illegal oil bunkering activities in the creeks; activities of oil thieves; proliferation of illegal refineries; pipeline vandalism and environmental pollution in the Niger Delta have risen to alarming proportion.'

Economic growth at risk: The Central Bank of Nigeria Monetary Policy Committee said on 22 May that, 'the growth and development of the Nigerian economy will continue to be at risk so long as progress is not made in structural reforms.' The National Bureau of Statistics indicated that real GDP in the first quarter of 2012 grew by 6.17% down from 7.68% in the fourth quarter of 2011.

U.S and Nigeria enhance co-operation: On 22 May, during a courtesy visit to the Nigerian Stock Exchange, Consular-General of the United States Embassy pledged to improve economic co-operation between Nigeria and the U.S. The Consular-General commended the management of the stock exchange for operating a free market, and said that the Embassy would co-operate with the organisation on training.

Crude oil sales decline: The coordinating Minister for the Economy and Minister of Finance expressed concern over the daily decline of crude oil production and sales, he said on 18 May. During April, the minister said that daily crude oil production decline reached 17%, and declared that this is the greatest challenge facing the Nigerian economy.

Analyst's Comment: Nigeria has been advertising its oil resources and production over the past few months, so the news that crude oil sales and production has declined is both surprising and unwelcome. The government has attempted to ease this news, claiming that back payments for previous supplies have yet to be paid, and are insisting that Nigeria is not 'broke' as some quarters are claiming. The announcement of renew cooperation between the U.S and Nigeria is timely considering the political tension over adding Boko Haram to the terrorist watch list.



Travel Advisory

- North-eastern states of Nigeria should be avoided if at all possible, especially Maiduguri where attacks against civilians remains an imminent threat.
- Kano continues to witness violence on a weekly basis, and should also be avoided if possible.
- Visitors to Nigeria should remain vigilant at all times. The threat of terrorism persists, and although recent attacks have been focused in the northern states, all travellers should be aware of their surroundings at all times. Attacks have taken place in public areas such as markets, hotels and places of worship across Nigeria, as well as targeted buildings such as government offices and police stations.
- Kidnappings and burglaries continue across the country, and visitors should keep all personal items and travel documents well-protected.
- A number of curfews are in place across Nigeria and are subject to change and enforcement at short notice. They are regularly used following incidents of unrest or violence. Visitors should comply with all curfews and are encouraged to monitor local media outlets in order to assess what curfews are in place.
- Nigeria is largely a cash economy, and visitors should ensure they have enough cash to cover all costs. Travellers' cheques are difficult to change in Nigeria and it is illegal to change money on the street.
- Malaria is common in Nigeria, as well as cholera, measles and meningitis which usually experience an outbreak every year. Visitors should ensure they have had all appropriate and necessary vaccines and obtained appropriate medication before travelling to Nigeria.





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