

NIGERIA SITUATION REPORT

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Risk Rating

Security Status **B**

State of the Economy **B**

Political Situation **A**

E - Severe
D - High
C - Elevated
B - Guarded
A - Low

E - High Risk
D - High Medium Risk
C - Low Medium Risk
B - Low Risk
A - Very Low Risk

E - High Risk
D - High Medium Risk
C - Low Medium Risk
B - Low Risk
A - Very Low Risk

Executive Summary

Three months into Buhari's administration, he is yet to form his cabinet, a situation that he said has earned him the label of "Baba Go Slow." Nigerians had expected that he would *hit the ground running* as he did when he was Head of State in 1984. Buhari reacted to this expectation by indicating that he preferred to be "slow and steady" in order to win the race for change. However, he has made a number of key Government appointments naming Babachir David Lawal as Secretary to the Government of the Federation (SGF), Abba Kyari as Chief of Staff to the President (COS) and General Monguno as National Security Adviser. He also appointed new top military leaders as well as the Group Managing Director (GMD) of the Nigerian National Petroleum Corporation (NNPC) and the Chairman for the Federal Inland Revenue Service (FIRS).

2. The spate of bombing by the Boko Haram insurgents in the North-Eastern part of the country has not significantly ebbed despite the official position that they have been degraded. The lack of clarity regarding the location of the abducted 219 Chibok schoolgirls and the appalling situation of Internally Displaced Persons (IDPs) detract from whatever tangible success has been recorded in retrieving captured territories from Boko Haram. The support of neighbouring countries and key Western countries such as the United States, UK, France, Germany and others and the newly appointed leadership of the military while rekindling hope that Boko Haram insurgency would be tackled head-on, the timeline of November set by Buhari to end the insurgency is perceived as pushing himself into a cul de sac.

3. The Buhari Government has begun investigation into the allegations of massive corruption in State entities by ensuring that the leadership of some of these entities commission forensic audits into the past operations to determine the extent and the destination of stolen State assets and funds. Two international auditing firms, PWC and KPMG, have been commissioned to carry out a forensic audit of the management of the Excess Crude Accounts. The President has ordered the immediate implementation of the Treasury Single Account (TSA) for revenue, incomes and other receipts. He has also ordered that all Federal Ministries and Agencies should now domicile and operate their accounts from the Central Bank of Nigeria (CBN). Thus all accounts held by Federal Ministries and Governmental entities in commercial banks will be closed. This decision will eliminate the loss of government revenue and plug loopholes that have characterized government financial transactions for a very long time, a huge step in the anti-corruption crusade.

4. Oil and gas, the main driver of the country's economy is receiving top priority attention of the President. As part of the efforts to reorganize the sector, he appointed a new Group Managing Director (GMD) for NNPC, Emmanuel Ibe Kachikwu, the former Executive Vice-Chairman for Exxon-Mobil. There are indications that President Buhari himself will head the Petroleum Ministry for the first two years of his administration in order to personally supervise the reorganization of the sector and there are pointers that NNPC will be split into two entities – one for regulatory purpose and the other business operations.

5. The early disturbing signals from the National Assembly seem to have come under some control due to the mending of fences within the ranks of APC in the National Assembly, particularly in the House of Representatives. However the apparent calm in the Senate may be likened to a calm before another eruption from the volcano of the Senate as there are indications that Saraki's leadership as Senate President has not been accepted by

APC hierarchy and the President. Essentially the National Assembly cannot be described as being fully operational. Intra APC conflict is not limited to the National Assembly. The competition for top Government positions at Federal level has recently brought that to the surface, such as in Lagos State. Except the crisis in the National Assembly and the APC is resolved definitively and timely, it will inflict incalculable damage to the APC and the Buhari Administration.

6. The emerging picture of his Administration is one based on a systems approach to governance characterized by adherence to due process and the rule of law, transparency, accountability and budgeting based on prioritized assessed needs. Buhari intends to de-politicize governance by trimming the size of government and cost of governance, enthroning merit and integrity. The NSR foresees a tortuous road ahead for Nigeria. While the strong personality and chosen path of President Buhari have temporarily silenced the leadership of APC, there are looming conflicts ahead. There is restiveness within the APC membership particularly governors, legislators and party leaders at various levels whose expectations would not be met because of the stance and style of President Buhari. However, he could positively override the resistance of his party to change if he could effectively mobilize Nigerians at large to support his policies.

NIGERIA SITUATION REPORT – EDITION 3

THE JOURNEY SO FAR

I INTRODUCTION

Muhammadu Buhari was sworn as President on 29 May 2015. Three months into his administration, he is yet to form his cabinet, a situation that he said has earned him the label of "Baba Go Slow." Nigerians had expected that he would *hit the ground running* as he did when he was Head of State in 1984. Buhari reacted to this expectation by indicating that he preferred to be "slow and steady" in order to win the race for change. An issue that has earned this epitaph is the non-appointment of Ministers, to which he has given a clear pointer that a trimmed Cabinet would be announced in September 2015.



2. In spite of this seeming slowness, Buhari has made a number of key Government appointments. On 27 August 2015, he appointed Babachir David Lawal as Secretary to the Government of the Federation (SGF) and Abba Kyari as Chief of Staff to the President (COS). Other appointments include Hameed Ibrahim Ali (a retired Colonel) as the Comptroller-General of Nigerian Customs Service (NCS); Kure Martin Abeshi as the Comptroller-General of Nigerian Immigration Service (NIS); Senator Ita Enang as Senior Special Assistant on National Assembly (Senate) and Suleiman A. Kawu as Senior Special Assistant on National Assembly (House of Representatives). Earlier appointments included, the National Security Adviser and top military leaders: Chief of Defence Staff and Heads of Army, Navy and Air Force. Others are new Head for domestic security organisation, the State Security Service (SSS), the Chairman of the Nigerian National Petroleum Corporation (NNPC) and the Chairman for the Federal Inland Revenue Service (FIRS). While the top hierarchy of the Civil Service (the Permanent Secretaries) has not witnessed any significant changes, there are expectations that a number of them would be replaced. Meanwhile, he interfaces with these top Bureaucrats in the administration of the country.

3. The spate of bombing by the Boko Haram insurgents in the North-Eastern part of the country has not significantly ebbed despite the official view that they have been degraded. The lack of pointer regarding the location of the abducted 219 Chibok schoolgirls and the appalling situation of Internally Displaced Persons (IDPs) are still worrisome. In this regard, Buhari's visits to Nigeria's neighbours - Niger, Chad, Cameroon and Benin - underscore their invaluable role in the anti-insurgency campaign. He attended the G7 Summit in Germany in June and visited the United States of America in July to drum up support for his twin priority agenda items: anti-insurgency and anti-corruption. Winning the tacit support and commitment of these countries is critical to both issues.

4. The early disturbing signals from the National Assembly reported in NSR 2 have temporarily paralysed the legislative arm of government. The clash between certain individuals, such as Bukola Saraki and the APC party hierarchy is still festering. Although there is some lull in this affair, the outcome of on-going police investigation into the

legitimacy of the *Senate Standing Orders 2015*, which apparently guided the emergence of Senate leadership, may be unsettling.

5. NSR 2 had identified Buhari's policy thrust to include: emphasis on good governance, economic growth, sustained security, combating corruption, reduction of the high cost of governance and reform of the oil and gas sector. NSR posited that the effective implementation of these policies would uplift the economy but will largely depend on his ability to secure the cooperation of his party. In this edition, NSR examines the journey so far and the implication of various developments for the country with reference to the priorities set by the APC-led government, the challenges of governance, and the implications for Nigerians and indeed friends of the country.

II PRIORITY AGENDA ITEMS AND THEIR IMPLEMENTATION

6. NSR 2 indicated the three priority areas of President Buhari's administration as security, combating corruption and the economy. Although it is only about three months into the new administration, it is appropriate to examine its performance so far. This is critical when viewed against the high expectations of Nigerians for change. It is perhaps this high expectation that has made some to perceive Buhari as being as very slow in effecting the radical transformation that is required. Nevertheless, Buhari's leadership qualities, including hard work, have made the difference in governance and have resulted in fundamental but quiet changes.

a) **Security**

7. From the electioneering campaign and the assumption of office, President Buhari and his Party, All Progressives Congress (APC) made the restoration of security throughout the country a priority. What has been achieved so far in this area? Buhari has been building on a number of measures put in place in the dying days of former President Goodluck Jonathan's administration to combat and defeat Boko Haram insurgency. We can report that the Nigerian



Armed Forces have liberated almost all Nigerian territories previously under Boko Haram occupation. Members of Boko Haram, have been dislodged from its operational headquarters in Gwoza and many of their bases. Land mines planted by retreating terrorists on major roads leading to Damaturu and Gwoza from Maiduguri have been cleared. The Nigerian military are currently on the last stage of clearing the remaining mines all over the North-East. Sambisa forest remains the final battleground, and the onslaught to flush out the terrorists from there is in progress. However, Boko Haram operatives seem to have dispersed themselves to many parts of the North-East and in some parts of territories of neighbouring countries, particularly Cameroon and Chad. They have equally changed their tactics and now resort to waging guerrilla warfare, by making sporadic attacks on unprotected villages and detonating improvised explosive devices on unsuspecting persons in crowded public places, such as places of worship (mosques and churches) and markets. Hundreds of people have been killed this way.

8. In spite of these developments, the measures adopted by the Buhari administration has forced the Boko Haram to be on the receiving end as the frequency of the detonation of explosive devices has decreased when compared to the first few weeks of the Buhari

administration. Many of the Internally Displaced Persons (IDPs) are being relocated to their localities. Others are still in some State capitals like Yola (Adamawa), Damaturu (Yobe) and Maiduguri (Borno). There is also an appreciable number of other IDPs in Abuja. However, some of the liberated areas in the North-East are still infested by die-hard members of Boko Haram who hide in contiguous woods and continue to harass villagers in the night where security is not yet firmly established. In other places, some villages have been completely burnt making it impossible for the return of IDPs to their towns and villages.

9. Of major significance is the collaborative agreement with all of Nigeria's land neighbours: Benin Republic, Niger, Chad and Cameroon, to fight Boko Haram. If these agreements are adhered to and strictly executed, the defeat of Boko Haram could effectively be in sight. The pronouncements and promises by a number of Western powers – the USA, the UK, Germany and France – in supporting Buhari's administration in the fight against Boko Haram in particular and international terrorism in general have added some impetus to this enterprise.

10. Other measures have been taken by the new government to combat terrorism not just in the North-East of Nigeria. These include measures to enhance the performance of the armed forces in confronting insurgency through the appointment of a new well-regarded leadership for the military: Chief of Defence Staff and Heads of the Army, Navy and Air Force. A new National Security Adviser reputed for his professionalism, discipline and integrity has also been appointed. The new leadership has spurred confidence in the military and has revived the confidence of the officer corps and the rank and file. The relocation of the operational military command to Maiduguri and supply of appropriate equipment seemed to have reinvigorated the confidence and determination of the military to take Boko Haram head on. Perhaps this influenced Buhari to set a November 2015 deadline to crush Boko Haram insurgency. NSR wonders why Buhari and his advisers have not learnt some lessons from their predecessors that such deadlines failed monumentally in the past. Why set a deadline now when there is no apparent pressure for one? Is the President pushing himself into a *cul de sac*?

11. The government has also taken action to deal with security challenges outside the epicentre of insecurity in Nigeria. There seems to be some gradual increase in restiveness in the Niger Delta area. For now, this has been eased by two key measures taken by President Buhari. The first is the appointment of a respected former military officer, Brigadier General Paul T. Boroh as Coordinator for the Amnesty Programme in the Niger Delta. The second is the approval of the implementation of the report of the United Nations Environment Programme (UNEP) on Ogoni Communities in Rivers State. It is important to recall that President Jonathan did not implement the recommendations while in office after receiving the report in July 2011. This is not to dismiss security challenges from the area but the threat seems to have receded. The strengthening of the Police, ensuring better coordination and cooperation between the armed forces and other actors in the security sector can only improve the government's ability to ensure maximally security.

b) **Combating Corruption**

12. Most Nigerians and the international community expect President Buhari to make a difference in the governance of Nigeria, particularly in combating the cancer of **corruption**. There are virtually weekly disclosures of the huge sums of money that have been illicitly acquired and stashed away by a number of



top officials of the previous government and the disappearance of huge sums from State entities. The Buhari Government has begun investigation into the allegations by ensuring that the leadership of some of these State entities commission forensic audits into the past operations to determine the extent and the destination of looted State assets and funds. Two international auditing firms, PWC and KPMG have been commissioned to carry out a forensic audit of the management of the Excess Crude Accounts between January 2010 and June 2015. The outcome of these audits and other emerging measures will hopefully give a clear and indeed true picture of the depth of corruption in the country and enable the President to take appropriate action against proven offenders, regardless of party, religious or ethnic affiliation.

13. Buhari's determination and pronouncement seem to have given a new lease of life to State anti-graft institutions, like the Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices Commission (ICPC). These agencies that were literally in slumber during the last eight years seemed to have found a new boldness to carry out and prosecute their responsibilities. Thus, many key actors of the previous administration are already being investigated. Equally, some State entities including NNPC, Nigerian Customs Service, Nigerian Ports Authority (NPA) and Federal Inland Revenue Service (FIRS), have been slated for investigation. The major challenge is that there is a general perception that the hierarchy of these Financial Crime Agencies are tainted with corruption. Many are of the view that the recent surge in their activities is basically to protect the removal of the top leadership of these Agencies. Therefore, it is argued that for tangible progress to be made, these Agencies should be steam cleaned. NSR shares the view that the performance of the leadership of these Agencies has been utterly dismal.

14. It appears that President Buhari intends to wage the war against corruption by following due process to avoid being accused of wearing the toga of a military dictator. In this connection, he recently established, the Presidential Advisory Committee on Anti-Corruption to advise him on his plans to tackle corruption. Made up of largely eminent scholars, the team is headed by a top scholar, lawyer, a well-esteemed man of honour and a fearless commentator on national issues, Prof. Itse Sagay. The major thrust of the Committee is to advise the President on adherence to the rule of law and due process in the efforts to combat, curtail and bring perpetrators of corruption to justice. However, unguarded pronouncements by some Governors who are anxious to expose malfeasance in these areas could bring unneeded controversy and divert attention from the actual goal of anti-corruption crusade. Besides, some top bureaucrats, such as Federal Permanent Secretaries and Chief Executive Officers/Directors General of Federal Government bodies are reported to be tainted with corruption. In addition, many of the Agencies they head are hitherto notorious for abysmally negligent accounting processes and procedures and monumental loss of revenue. The President is being urged to clean out such officials lest they pollute his governmental agenda.

15. As NSR indicated in Edition 2, most Nigerians willingly and gladly support President Buhari in his anti-corruption crusade. Furthermore, the international community and Nigerians are convinced that he will be unwavering in this crusade and will not hesitate to prosecute anyone tainted with corruption. Nevertheless, there is some apprehension that strong forces, important interests and personalities in the country, including some of those who sponsored his election campaign, particularly within APC are determined to frustrate the process because they are neck deep in this affair. Some of them might try to pull the rug from the President's feet. Of huge importance is President Buhari's clear indication that he will not

be deterred by any obstacle. His willingness to adopt plea bargain as a tool to recover stolen money may go a long way in curtailing the cancer and effectively recoup illicitly acquired assets and funds. The next six months will largely reveal the mind-set of Buhari and the gamut of his anti-corruption crusade.

c) **Rebuilding the Economy**

16. The state of the country's economy at the beginning of June 2015 was extremely parlous. Its full extent is now emerging having been hitherto successfully masked by President Jonathan's administration. A major catalyst in the current economic climate is the drastic reduction in crude oil proceeds as a result of decline in world crude oil prices from over US\$100 to about US\$40 per barrel. It must be acknowledged that this phenomenon is global and independent of any single producer country. But, it is also clear that the Jonathan administration did not adequately prepare the country to meet the shocks and vagaries from the decline in oil prices. Had corruption been checked, and steps taken to reduce dependence on oil revenue by diversifying the economy and stemming the leakages in the system, the economy would not have been as badly hit by the oil price crisis as it has.

17. Oil and gas, the main driver of the country's economy, is the first to receive the much-desired attention of President Buhari. Consequently, necessary reforms in the oil and gas sector have already begun with the appointment of a new Group Managing Director (GMD) for NNPC, Emmanuel Ibe Kachikwu, former Executive Vice-Chairman for Exxon-Mobil and the replacement of several top officials of the corporation. There are indications that President Buhari himself will head the Petroleum Ministry for the first two years of his administration in order to personally supervise the reorganisation of the sector. NSR has gathered that NNPC will be split into two entities – one for regulatory purpose and the other business operations.



18. Another key development is the decision of the Government to review existing agreements for crude oil swaps for refined products. Its purpose is to inject transparency and accountability into the process and hopefully reduce costs. The issue of petroleum subsidy is still being held in abeyance. Surely, the Government has to reach a decision before the year runs out. Otherwise, the lacuna of the current situation, particularly its impact on dwindling government revenue, will continue to hang on the economic horizon. Similar to the efforts to combat corruption, the clean-up and reorganisation of the oil and gas sector are certain to elicit a *battle royale* among the major actors in that space and other related parts of the economy. The NSR will continue to monitor and report on developments there.

19. An important decision already announced for the management of the economy and, which by its very nature, will have a major impact in the anti-corruption effort is the implementation of the Treasury Single Account (TSA). Federal Government revenue, incomes and other receipts will be paid direct to the TSA, which will be domiciled in the Central Bank of Nigeria (CBN). In addition, all accounts held by Federal Ministries and Governmental entities in commercial banks will be closed. Thus, the operation of banking transactions by these Government entities will be anchored in the CBN. This singular act will undoubtedly eliminate the loss of government revenue and plug loopholes that have characterised government financial transactions for a very long time. An additional impact is the hope that

it will facilitate and promote full transparency in government accounting and thereby reduce the avenues for corruption.

20. There are some concerns that the full implementation of TSA will negatively impact some of the commercial banks. It is anticipated that over two trillion Naira (US\$12 billion), currently held in various commercial banks by Governmental entities will be withdrawn and deposited with the CBN. Many of these banking transactions have been embedded in sharp practices between some Bank Executives and top Government officials such as deposits being held in floating accounts for a period ranging between a month to 3 months and interest being shared between top Government officials and Bank Executives. The practice, which was very common, can be simply characterised as a shadow banking deposit service operated by some commercial banks. The fear is that some commercial banks may be distressed if they do not succeed in urgently attracting more private deposits. It is worth watching developments in this sector in the next six months which the NSR will certainly continue to cover.

III NATIONAL ASSEMBLY LEADERSHIP AND GOVERNANCE

21. As indicated in paragraph 4 above, the early disturbing signals from the National Assembly seem to have come under some control. Thus, with the mending of fences within the ranks of APC in the National Assembly, a more conducive environment has been created to enable the President concentrate on his key priority areas of security, anti-corruption and the economy. However, it took the personal intervention of President Buhari at both personal and party levels for the emergence of this seeming truce. While there is some quiet now, the last might not have been heard of the rift within the APC family in the National Assembly. NSR avers that the conflict between those who subscribe to party supremacy and others championing zoning principles compounded by personal ambition is not over. Certainly, the struggle between Speaker Yakubu Dogara and Femi Gbajabiamila and their supporters was so bruising that it might not be buried so easily. Some differences could be expected to occur in the future. On the other hand, the apparent calm in the Senate may be likened to a calm before another eruption from the volcano of the Senate as there are indications that Saraki's leadership as Senate President has not been accepted by APC hierarchy and the President. The issue of the alleged "forgery" of the Senate's Standing Order upon which the Senate President and his Deputy were elected has not been resolved. The outcome will depend on the various moves being made by Saraki to reach out to a number of power segments in the country and recent moves to reach some accord with Bola Tinubu.

22. In spite of the aforementioned calm, the NSR notes that the National Assembly cannot be said to be fully operational. Apart from approving the appointment of military top brass and endorsing the US\$75 million USD World Bank loan for Edo State, all that seems to be happening is the passing of resolutions for Committees yet to be set up to investigate some issues and submit findings "within two or three weeks"! The fight for the chairmanship and membership of various Committees is another source of rancour. To compound the dismal situation, the National Assembly is in recess till 29 September 2015. Clearly, it cannot claim to be contributing much to governance of the country!

23. It appears that the APC is fighting some other battles within itself, some of which are linked to 2019 Presidential elections and appointments into Buhari's cabinet. For example, the rift between former Governors Fashola and Bola Tinubu has burst out into the open space.

The NSR is informed that the current travails of Fashola are linked to soured relations with his former mentor, Bola Tinubu. Such intra-APC conflicts are known to exist in some other States, particularly in the South-West. Such unresolved intra-party conflicts will certainly impact events in the National Assembly and governance at the centre. Only time will tell how far the “issue” will continue to impact the affairs of the Senate and Buhari Administration. Except the crisis in the National Assembly is resolved definitively, it will inflict incalculable damage to the APC and the Buhari Administration. Perhaps, some resolution may emerge when the Senate reconvenes in September to consider and approve the list of nominees for Ministerial positions.

IV CONCLUSION

24. The victory of Muhammadu Buhari in March 2015 elections and his inauguration as President on 29 May 2015 are turning out to be real watershed events in the country’s history. The emerging picture of his Administration is one based on a systems approach to governance characterised by adherence to due process and the rule of law, transparency, accountability and budgeting based on prioritised assessed needs. Buhari intends to de-politicise governance by trimming the size of government and cost of governance, enthroning merit and integrity while building strong institutions including the civil service. He has signalled by his actions and utterances thus far, that he expects all to abide by the provisions of the Constitution. He is clearly demonstrating that the security of life and properties and the wellbeing of citizens are the main purposes of governance. By instilling order and discipline in the system he hopes to give a new breath of life to Nigeria, thus cultivating the trust of citizens in the Federal Government.

25. The three months Buhari has administered the country without a cabinet has enabled him to receive briefings from Permanent Secretaries of Ministries and Heads of government departments and agencies paving the way for him to prepare specific instructions and directives to incoming Ministers and heads of other Government Agencies. It has also given him time to plan and design his administration’s template for resetting the economy in order to generate growth that will assist in tackling unemployment. His special focus on making the revenue generating organs of the government more transparent and accountable is a clear indication that he wants to set a standard for financial accountability.

26. The NSR foresees a tortuous road ahead for Nigeria. While the strong personality and chosen path of President Buhari have temporarily silenced the leadership of APC, there are looming conflicts ahead. There is restiveness within the APC membership particularly governors, legislators and party leaders at various levels whose expectations would not be met because of the stance and style of President Buhari. The leadership tussle witnessed at the National Assembly is indicative of what could happen in many States in the country and indeed at the federal level when cabinet and other appointments are announced and due process in governance is enforced. Taking on the cabals and cartels that have controlled oil and gas, power generation and distribution, banking and finance and imports, for the past eight years, has the grave potential of generating crisis and disrupting the economy as is being experienced with fuel supply and the subsidy issue. To mitigate likely crisis, President Buhari has already indicated willingness to adopt plea bargain method to recover funds and assets illicitly acquired. Sabotage and disruptions could also be expected from some public and civil servants as reaction to the sanitisation process.

27. There is no doubt that given the relative short time he has been in power, President Buhari has made a lot of strides and effected changes aimed at permanently restructuring government institutions and emplace a new path for good governance. The most important area of focus has been the NNPC, considering its importance to the economy of the country. As earlier indicated the President's determination to transform the corporation is total and he has declared his intention to head the Ministry of Petroleum as well as splitting the NNPC into two. These are pointers to his commitment to the transformation of the corporation into an efficient agency. The anti-graft war is also being quietly but steadily pursued. Even though Ministers have not been appointed, governance or its pace has neither stopped nor substantially diminished. The quality of the achievements within only a short period of three months therefore may not justify his characterisation as *Baba go slow*. Yet, it is fair for Nigerians to demand changes at a faster pace as they were excited to say good-bye to the Jonathan Administration.

28. The NSR is certain that Buhari will not buckle or relent in the fight against corruption or any programme he commits to. However, the test of his leadership will hinge on how and whether he succeeds in mobilising the support of his party members for critical challenges that will surely face the body politic in a few months. The NSR posits that he could positively override the resistance of his party to change if he could effectively mobilise Nigerians at large to support his policies. But he needs to begin that task in earnest as the economy may experience major crises that would force individuals to make painful adjustments as the fundamentals of the economy are reset.

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