

INSCT MIDDLE EAST AND NORTH AFRICA INITIATIVE

INSTITUTE FOR NATIONAL SECURITY AND COUNTERTERRORISM

Nigeria Risk Assessment 2014



EXECUTIVE SUMMARY

This report—which uses open-source materials such as congressional reports, academic articles, news media accounts, and NGO papers—focuses on three important issues affecting Nigeria’s present and near-term stability:

- ❖ **Security**—key endogenous and exogenous challenges, including Boko Haram and electricity and food shortages.
- ❖ **The Energy Sector**—specifically who owns Nigeria’s mineral resources and how these resources are exploited.
- ❖ **Defense**—an overview of Nigeria’s impressive military capabilities, rooted in its colonial past.



FIGURE 1: Administrative Map of Nigeria (Nations Online Project).

As Africa’s most populous country, Nigeria is central to the continent’s development, which is why the current security and risk situation is of mounting concern. Nigeria faces many challenges in the 21st century as it tries to accommodate its rising, and very young, population. Its principal security concerns in 2014 and the immediate future are two-fold—threats from Islamist groups, specifically Boko Haram, and from criminal organizations that engage in oil smuggling in the Niger Delta (costing the Nigerian exchequer vast sums of potential oil revenue) and in drug smuggling and human trafficking in the North.¹

The presence of these actors has an impact across Nigeria, with the bloody, violent, and frenzied terror campaign of Boko Haram, which is claiming thousands of lives annually, causing a refugee and internal displacement crises. Nigerians increasingly have to seek refuge to avoid Boko Haram and military campaigns against these insurgents. Accordingly, violence in Nigeria has the potential to cause instability in neighbouring countries that can ill-afford to deal with a large refugee problem. More recently, the violence has led to accusation by Murtala Nyako, the governor of Adamawa State, that the federal government is sponsoring Boko Haram for political reasons.² In other words, the insurgency is causing discord between the federal government and the states.

Nigeria’s defence establishment currently is adjusting to civilian governance. There seems to be no suggestion of an imminent coup, and President Goodluck Jonathan was recently able to remove several senior military officers without attracting the enmity of the military. Notable, however, is the seeming inability of the military to address the threats posed by Boko Haram and organized crime. One explanation is that the military and the security services are ill-equipped and poorly trained to deal with insurgencies and criminal actors. Thus, Nigeria requires support in terms of border control; police training (corruption remains rife and police

1 The UN Office of Drugs & Crime (UNODC) engages in four operations in Nigeria: anti-corruption; criminal justice reform; drugs, organized crime, and terrorism; and human trafficking and smuggling of migrants.

2 President Goodluck Jonathan replied by attributing the insurgency to the inability of governors to ensure that all children go to primary and secondary schools.

officers are poorly paid); and infrastructure reform and investment as a way to dissuade individuals from joining either radical religious groups or criminal entities.

In terms of its economy, Nigeria must address its over-reliance on fossil fuels, which is unsustainable, especially as large markets such as the US and Europe transition away from fossil fuel consumption. At present, Nigeria has an inert economy: one that reacts passively to increased oil and natural gas revenue and one that does not translate this revenue into economic activity outside the energy sector. This is not to say that the country has not experienced economic growth, it is simply that too much of the economy is dependent on oil and natural gas, which is a highly turbulent commodity.³ Without fossil fuel revenue, Nigeria would probably lack funds to provide meaningful services for its very large population.

OVERVIEW

Nigeria is an intriguing country, a kind of Dr. Jekyll and Mr. Hyde state that offers optimism and promise—as seen with the progress (political, social, economic) that has taken place in Nigeria since the restoration of democracy in 1999⁴—and despair, with its continuous failure to tackle high levels of poverty, crime, and corruption, all of which undermine the country’s potential.

Population

Nigeria is Africa’s most populous state. It has more than 177 million people, with 60% of the population younger than 25 and a median age of 18.2. The majority of Nigerians live in “extreme poverty” defined as living on less than \$1.25 a day.⁵ Nigeria, however, also is Africa’s largest oil exporter, pumping approximately two million barrels of oil a day, which is half of sub-Saharan Africa’s total output.⁶ Thus, a serious issue affecting Nigerian stability is the insecurity (including criminal organizations, widespread corruption, the proliferation of youth groups (i.e., gangs), and environmental destruction) that pervades the oil-producing region of the Niger Delta.⁷ This instability has international implications, as impacts Nigeria’s ability to operate as an effective and reliable energy producer for the rest of the world, not to mention the fact that a stable Nigeria is vital for regional security, as the country is also a key actor within Economic Community of West African States (ECOWAS).

3 The International Monetary Fund projects that Nigerian GDP should grow 7.3% this year vs. 6.4% in 2013, with inflation also projected to decline from 7.9% to 7%. “Nigeria’s economic growth to quicken, inflation to ease this year—IMF,” Reuters, March 7, 2014. <http://www.reuters.com/article/2014/03/07/imf-nigeria-idUSL6NOM41GF20140307>

4 A clear sign of progress is that over the last few years several high ranking Nigerian officials have lost their position due to financial impropriety, recklessness, and corruption: Chuba Okadigbo (Speaker of the House of Representatives); Chief Sunday Afolabi (Minister of Internal Affairs); Mobolaji Osomo (Minister of Housing and Urban Development); Fabian Osuji (Minister Education). Fatai Ayinde Aremua and J. Shola Omotolab. “Violence as Threats to Democracy in Nigeria under the Fourth Republic, 1999-2005,” *African and Asian Studies*, Vol. 6, No. 1-2 (2007), pp. 53-79.

5 Lauren Ploch, “Nigeria: Current Issues and U.S. Policy,” Congressional Research Services, April 24, 2013. RL33964. <https://www.fas.org/sgp/crs/row/RL33964.pdf>

6 In 2002, the country was the sixth largest producer of crude oil, plus national gas liquids and condensate, among the “OPEC 11” though more recently its position has fallen to eighth in the world Lauren Ploch, “Africa Command: U.S. Strategic Interests and the Role of the U.S. Military in Africa,” CRS Report for Congress, March 10, 2008), RL34003. <http://www.fas.org/sgp/crs/natsec/RL34003.pdf>

7 The Niger Delta is an area of approximately 70,000 sq km along the Gulf of Guinea. It is the world’s third largest wetland. Officially, it is composed of nine states: Abia, Akwa-Ibom, Bayelsa, Cross River, Delta, Edo, Imo, Ondo, and Rivers, with a combined population of around 28 million people. Aderoju Oyefusi, “Oil and the Probability of Rebel Participation Among Youths in the Niger Delta of Nigeria,” *Journal of Peace Research*, Vol. 45, No. 4 (2008), p 540.

Nigeria's Place within Africa

Nigeria's importance to Africa and the international community became more visible under President Olusegun Obasanjo (in office 1999 to 2007). Under Obasanjo, Nigeria was instrumental in transforming the Organization of African Unity (OAU) into the African Union (AU).⁸ Obasanjo also played a major role in creating the New Partnership for Africa's Development (NEPAD), which strives to eradicate poverty in Africa, to advance sustainable growth, and to represent Africa in international politics.⁹ Thanks in part to Obasanjo, Nigeria is politically stable—at least by African standards—and the notion of another military coup appears unlikely in the near future. Ultimately, many countries depend on Nigerian political, social, and economic stability, which is why in April 2007, when there were post-election tensions, the price of a barrel of oil increased.¹⁰

Ethnic Groups

Nigeria's is essentially a quasi-ethno-patrimonialist state, a designation that refers to the role of ethnicity rather than wealth or military power in determining political stability. It also means a symbiotic relationship exists when it comes to power. Power begins with local actors—i.e., it rises from below—and Nigerian federal leaders have to ensure that ethnic groups do not become too powerful. The centrality of ethnicity in Nigeria was made visible in 2004 when the Nigerian government identified 16 ethnic militias in the Niger Delta.¹¹ The explosion in ethnic group action and identification means that Nigerians looking at the federal system—as well as at previous examples of how states have come to exist in Nigeria—realize that if they gather sufficient support (mainly by using youth movements, whose activists are willing to be raucous), the federal state will see these ethnic groups as a threat to the federation. To appease them, the federal government either tries to absorb them or offers them “statehood.” This is why Abdul Raufu Mustapha argues that Nigeria's affirmative action measures were adopted to address ethnic diversity.¹² The attainment of “statehood” pacifies the “group,” and the group becomes willing to embrace Nigeria's federalist system.¹³

Thus, the quasi-ethno-patrimonialist system encourages first the emergence of ethnic groups, which might then become powerful enough to challenge the status quo, allowing, after sufficient time, the ethnic group to acquire statehood, through which they can provide their members with employment.¹⁴ The concern that arises from this chain of events is that ethnic groups might turn to violence because they believe that the violence will ensure at best statehood or at worst some official recognition that will provide better access to official positions, as well as resources and wealth.

8 The AU's is seen as better tool in promoting enhanced cooperation in Africa, ensuring that Africa is better represented on the global stage and dealing with some of Africa's woes. Pierre Buyoya, “Towards a Stronger African Union.” *Brown Journal of World Affairs*, Vol. 12, No. 2 (2006), pp. 165-175; Gino Naldi and Konstantinos D. Magliveras, “The African Union—A New Dawn for Africa?” *The International and Comparative Law Quarterly*, Vol. 51, No. 2 (2002) pp. 415-425; Thomas Kwasi Tiekou, “Explaining the Clash and Accommodation of Interests of Major Actors in the Creation of the African Union,” *African Affairs*, Vol. 103, No. 411 (2004), pp. 249-267.

9 “The New Partnership for Africa's Development,” October 2001. <http://www.nepad.org/images/framework.pdf>

10 Ploch writes that the price of oil rose above \$60 per barrel. Lauren Ploch, “Africa Command: U.S. Strategic Interests and the Role of the U.S. Military in Africa,” CRS Report for Congress, March, 10, 2008, CRS-13 [Order Code RL34003].

11 Aderoju Oyefusi, “Oil and the Probability of Rebel Participation Among Youths in the Niger Delta of Nigeria,” *Journal of Peace Research*, Vol. 45, No. 4 (2008), p 540.

12 Abdul Raufu Mustapha, “Institutionalising Ethnic Representation: How Effective Is Affirmative Action In Nigeria?” *Journal of International Development*, Vol. 21, No. 4 (2009), pp. 561-576.

13 This is developed from Ukoha Ukiwo, “From ‘Pirates’ to ‘Mililitants’: A Historical Perspective on Anti-State and Anti-Oil Company Mobilization among the Ijaw of Warri, Western Niger Delta,” *African Affairs*, Vol. 106, No. 425 (2007), pp. 587-607; Brennan Kraxberger, “Negotiations of ‘Traditions’ in Nigeria: Creation of States, the Military, and Local Domains,” *Journal of Asian and African Studies*, Vol. 44, No. 4 (2009), pp. 449-466; Tom Burgis, “Ethnic Rivalries Fuel Nigeria Violence,” *Financial Times* (UK), Jan. 26, 2010. <http://www.ft.com/cms/s/0/5ca75160-0a19-11df-8b23-00144feabdc0.html>

14 This argument is developed from Eghosa E. Osaghae, “Ethnic Minorities and Federalism in Nigeria,” *African Affairs*, Vol. 90, No. 359 (1991), pp. 237-258.

SECURITY

Nigeria is the largest country in West Africa, and therefore it has little to fear from a state-based attack on its territory, making exogenous inter-state conflicts unlikely. Nevertheless, Nigeria has some problems patrolling borders, which remain porous.¹⁵ For decades, Nigeria had a border dispute with Cameroon over the oil-rich Bakassi region, which the International Court of Justice (ICJ) adjudicated in favor of Cameroon.¹⁶ The demarcation process is led by the UN—the Cameroon–Nigeria Mixed Commission (CNMC)—a tough operation considering the border spans 2,100km across mountains and desert in the north, dense forests in the south, and 21 border points in the ocean, necessitating the use of digital global positioning. A key issue of the team is getting



FIGURE 2: Confiscated ammunition is displayed after a military raid on a hideout of suspected Islamist Boko Haram members in Nigeria's northern city of Kano on Aug. 11, 2012 (Reuters).

the materials to site as they lay out the border—every 5km and 500m primary and secondary pillars are placed.¹⁷ The adjudication coupled with the

implementation process is seen as a template for the rest of Africa, where only 30% of the borders are precisely demarcated. Beyond the Bakassi dispute, Nigeria has no major territorial claims. There are growing tensions between Nigeria and Benin in relation to smuggling. Nigerian authorities suggest that the Benin government facilitates smuggling and other criminal activities, which has a devastating effect on Nigerian businesses—specifically textile, rice, and metal—that costs the Nigeria economy around \$2.5 billion in lost revenue.¹⁸

A separate and extremely pertinent security issue is Boko Haram (literally “Books are sinful”), an organization that seeks to establish a pure Islamic Shari’a state and which is vehemently against “Western-style” education. Its acts of violence have displaced approximately 350,000 people since 2013, 290,000 of them internally; the rest are sheltering in Cameroon, Chad, and Niger.¹⁹ Boko Haram is most active in Yobe, Borno, and

¹⁵ In 2013, Deputy Coordinator of the US Counter Terrorism Bureau Anne Witkowsky announced the donation of the Personal Identification Secure Comparison and Evaluation System (PISCES)—a monitoring system that allows for improve watch-listing capabilities as it provides a mainframe computer system to facilitate immigration processing. It uses various software and hardware including cameras and passport scanners. Additionally, the Nigerian police in 2013 also acquired seven US-made Bell helicopters; 17 Armoured Personnel Carriers (mostly Mamba Mine Resistant Ambush Protected vehicles and variants of the South African-made Springbuck IV APC); 15 Steyr troop carriers; and 275 Toyota Hilux patrol vans. Oscar Nkala, “Nigeria to receive high-tech border control equipment,” *Defense Web*, May 17, 2013. http://www.defenceweb.co.za/index.php?option=com_content&view=article&id=30451:nigeria-to-receive-high-tech-border-control-equipment&catid=87:border-security&Itemid=188

¹⁶ Request for Interpretation of the Judgment of 11 June 1998 in the Case Concerning the Land and Maritime Boundary between Cameroon and Nigeria (Cameroon v. Nigeria), Preliminary Objections (Nigeria v. Cameroon).

¹⁷ IRIN, “Cameroon–Nigeria border settlement faces tough development challenges,” *The Guardian*, Feb. 16, 2014. <http://www.theguardian.com/global-development/2014/feb/16/cameroon-nigeria-border-settlement-development-challenges>

¹⁸ “Nigeria, Benin on the Brink of Economic War over Smuggling,” *This Day Live*, Mar. 4, 2014. <http://www.thisdaylive.com/articles/nigeria-benin-on-the-brink-of-economic-war-over-smuggling/172956/>

¹⁹ “Humanitarian response gap grows in northern Nigeria,” IRIN, March 14, 2014. <http://www.irinnews.org/report/99783/humanitarian-response-gap-grows-in-northern-nigeria>

Adamawa, three key states in the northeast of the country where around 1,000 people were killed between January and March 2014 alone.²⁰ The uptick in violence has led to the declaration of a state of emergency by the federal government until April 19, 2014, and there are suggestions that the federal government, despite opposition from the state, is unlikely to change the emergency situation as it allows the military more freedom in seeking out and engaging with Boko Haram.

Another key issue for Nigeria is human security. GDP per capita stands at around \$2,800 (in 2013), placing Nigeria 180th in the world.²¹ Thus, the inability of the Nigerian federal government to provide basic services—principally energy and food—to its growing population is a risk issue as it fosters anti-federalist sentiment that insurgents and criminal organizations exploit. Olusegun Aganga, the Minister of Industry, Trade, and Investment, has placed enormous emphasis on start-up entrepreneurs as a way to address Nigeria's reliance on energy and big business. Aganga also is seeking to address a funding shortage; Nigerian banks only lend to those that can provide heavy collateral, which is not possible for start-ups. Accordingly, great emphasis is being placed on the Angel Investors' Forum, a group of investors across West Africa whose purpose is to provide reasonable funding and mentoring.²²

Energy Shortages

Nigeria is mineral wealthy: it is Africa's largest oil producer and the world's fourth leading exporter of liquid natural gas (as of 2012). Nevertheless, Nigerians endure major energy shortcomings.²³ Reportedly, more than 50% of Nigerians receive no electricity at all. Lack of electricity is a cause of Nigeria's weak economy because the country must rely on diesel fuel, which is considerably more expensive than grid electricity, takes time to acquire, and has an environmental cost associated with it. Notably, most Nigerians use kerosene for cooking oil. Government subsidies are supposed to keep the price at around 40 naira per liter; however, due to corruption, it is often sold at 140 naira a litre or 160 naira (\$0.85 to \$0.97).²⁴



FIGURE 3: Illegal Oil Refining in the Nigeria Delta (CNN.com).

In September 2013, the government adopted a privatization policy to expand the electricity grid, ending the monopoly of the Power Holding Company of Nigeria (PHCN) and the Niger Delta Power Holding Company

20 "Boko Haram: 1,000 die in Borno, Adamawa, Yobe in 3 months," *The Sun*, March 26, 2014. <http://sunnewsonline.com/new/?p=57533>

21 In 2010, more than 60% of Nigerians lived on less than a dollar a day, whereas in 2004, only 54% lived on less than a dollar a day. Notably, in northwest and northeast Nigeria poverty rates were at 77.7% and 76.3% respectively, compared to the southwest at 59.1%. "Nigerians living in poverty rise to nearly 61%," *BBC News Online*, Feb. 13, 2012. <http://www.bbc.com/news/world-africa-17015873>

22 Tomi Davies is the Chief Executive Officer, Lagos Angel Network of Investors. Emma Okonji, "Aganga: Start-Up Entrepreneurs Will Drive Nigeria's Economy," *The Day Live*, April 14, 2014. <http://www.thisdaylive.com/articles/aganga-start-up-entrepreneurs-will-drive-nigerias-economy/175267/>

23 Reportedly, Nigeria generates about 4,000 megawatts of electricity, approximately 10 times less than some other countries in the region with less population (sub-Saharan Africa generates only 68,000 megawatts, with South Africa generating 40,000 megawatts). This situation has led two UN special rapporteurs—Magdalena Carmona, Special Rapporteur on Extreme Poverty and Human Rights and Raquel Rolnik Special Rapporteur on Adequate Housing—to write to the Nigerian government claiming that the shortcomings amount to a violation of international human rights law. "Nigeria: UN Queries FG Over Increased Electricity Tariff," March 24, 2014. <http://allafrica.com/stories/201403270180.html>

24 Will Ross, "Is Nigeria serious about tackling corruption?," *BBC News Online*, March 11, 2014. <http://www.bbc.com/news/world-africa-26535530>

(NDPHC), creating 17 companies out of PHCN.²⁵ Principally, privatization is designed to create a \$70 billion investment program to enable Nigeria to generate electricity on the levels of South Africa and Brazil.²⁶ The focus is very much on building generation plants that are contractually obligated to increase electricity production. In 2013, US President Barack Obama announced Power Africa, an initiative to double access to power in sub-Saharan Africa.²⁷

Food Shortages

Despite the size of the country and its resources, Nigeria is reliant on food imports, and Nigerians continue to experience malnutrition with rural areas suffering from chronic food shortages, erratic food supply, poor quality foods, and high food costs. There are reports that Nigeria is bracing for a potential food supply crisis this farming season (2014) because the rainy season was short and the farming sector was severely affected by violence (most of Nigeria's food is produced in the north, where Boko Haram operates²⁸) and by greater demand from Niger. In 2013, it was possible to make up for grain shortages with increased beans and sorghum, produced in the central Nigerian state of Katsina; however, in 2014 that area has been affected by sectarian violence.²⁹ Notably, Nigeria also supplies food to Niger, Chad, Cameroon, and Mali, which means that a food shortage in Nigeria could have a spillover effect on surrounding states.

THE ENERGY SECTOR

The energy sector is central to Nigeria's economy but also it is a source of mismanagement, high levels of corruption, and animosity among different ethnic groups as some feel that the federal government does not pay their region or their group a sufficient share of the country's natural wealth.³⁰ Also linked to Nigeria's energy sector is the increasing penetration of non-Western companies, which may affect positive pressure for political reform. Non-Western companies may be more willing to engage in corrupt practices,³¹ while anti-corruption legislation, adopted by Western countries, prevents them from handing out bribes or "gifts," a business scruple that does not sway non-Western countries as much.³² Although Western nations such as the US have laudable anti-corruption laws—such as the US Foreign Corrupt Practices Act of 1977³³—these nevertheless put Western companies at a disadvantaged when they operate in cultures where corruption is seen as a necessary part of doing business—and Nigeria remains one of the most corrupt countries in the

25 For PHCN Successor Companies: <http://www.nercng.org/index.php/industry-operators/licensing-procedures/phcn-successor-companies>

26 Nigerian power breakthrough provides new hope for millions," *The Guardian*, 2013. <http://www.theguardian.com/global-development-professionals-network/adam-smith-international-partner-zone/nigerian-power-breakthrough-global-development>

27 The US committed around \$7 billion to the initiative.

28 In 2013, 19,000 farmers abandoned their farms in the Marte area, which meant that around 5,000 hectares (12,350 acres) of wheat and rice were left to rot. Aminu Abubakar, "Nigeria braced for potential food crisis as forecasters predict short rainy season," *The Guardian*, March 26, 2014.

<http://www.theguardian.com/global-development/2014/mar/26/nigeria-food-crisis-short-rainy-season>

29 "Scores Killed in Raids on Central Nigeria Villages," *New York Times*, Mar. 26, 2014. http://www.nytimes.com/2014/03/17/world/africa/scores-killed-in-raids-on-central-nigeria-villages.html?_r=0

30 The recent "oil find" in Ghana has raised a debate whether oil is "a blessing or a curse." "Oil find brings challenges—Geophysicist," *Ghana News*, Nov. 27, 2008. <http://www.ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID=153743>

31 Ian Taylor, "China's Relations with Nigeria," *The Round Table*, Vol. 96, No. 392 (2007), pp. 631-645; Denis M. Tull, "China's Engagement in Africa: Scope, Significance, and Consequences," *The Journal of Modern African Studies*, Vol. 44, No. 3 (2006), pp. 459-479.

32 The Rio Tinto case in China is a relatively new development, and it could be seen as a domestic Chinese response to internal corruption.

33 The case of Jeffrey Tesler, a British lawyer, accused of being at the center of an international bribery fraud offers a good example of western countries determination to stamp out the use of bribes in international trade. Tesler, according to US prosecutors, helped organize a decade-long operation to pay bribes to the tune of \$131 million to Nigerian politicians on behalf of a consortium seeking construction contracts in Nigeria. Rob Evans and David Leigh, "UK Lawyer Faces Fresh Allegations Over International Bribery Scam," *The Guardian*, Jan. 28, 2010. <http://www.guardian.co.uk/world/2010/jan/28/jeffrey-tesler-bribery-scandal>

world. Notably, the key focus of non-Western companies appears to be access to the oil-rich areas, assurance that their investments in those areas will be safe (which means there will be willingness to hire private security firms), and a guarantee of profits from these investments.

A second key risk issue relating to the energy sector is the role of human rights and associated liabilities. Western countries must ensure that they are not a party to human rights violations, because such activity will generate negative publicity and possibly even criminal charges at home. Historically, however, the Nigerian government has taken the position that as long as it receives a share of profits, it will permit companies to operate with little, if any, supervision, which arguably explains the environmental damage and/or human rights violations committed by oil companies. Jędrzej George Frynas argues that Nigeria and the oil companies have dealt with the anti-oil protests in the Niger Delta by granting concessions; using public relations, in the form of new institutions, to show that the state is listening to protesters; and, at the same time, employing repressive security measures against the protesters.³⁴ Put simply, as long as the gulf between the “haves” and the “have nots” remains as vast as it is (around 60% of Nigerians live on less than a dollar a day, even though in 2005 Nigeria earned more than \$45 billion from oil³⁵), and as long as individuals/groups strive to find ways to gain access to the energy sector’s wealth, Nigeria will remain unstable.



FIGURE 4: A scene from the oil-rich Niger Delta, which suffers greatly from violence, pollution, and human poverty (National Geographic).

Ownership of Mineral Resources

The 1946 Mineral Act vested ownership of all minerals with the colonial government. With independence, the Nigerian government retained the main themes of the 1946 Act, as seen with the adoption of the 1969 Petroleum Act that further strengthened the control of the federal state over the oil sector. The Act ensured that the federal government, and not the states, owns Nigeria’s oil and gas, including those resources that lie within Nigeria’s territorial waters and continental shelf.³⁶ According to a formula developed by the Revenue Mobilization, Allocation, and Fiscal Commission (RMAFC), a federal executive body, revenue from national resources, mainly oil, is pooled into a Federation Account and then distributed to the federal government, states, and local governments.³⁷ This set-up has two implications. The first is that the formula does not specifically identify the beneficiary; the assumption is that the state is the beneficiary, but there is an argument

34 Jędrzej George Frynas, “Corporate and State Responses to anti-Oil Protests in the Niger Delta,” *African Affairs*, Vol. 100, No. 398 (2001), pp. 27-54; Augustine Ikelegbe, “The Economy of Conflict in the Oil Rich Niger Delta Region of Nigeria,” *Nordic Journal of African Studies*, Vol. 14, No. 2 (2005), pp. 23-56.

35 Matthew McAllester, “Rebels threaten all-out attack on Nigeria’s oil,” *The Guardian*, Nov. 5, 2006.

36 Anna Zalik, “The Niger Delta: ‘Petro Violence’ and Partnership Development,” *Review of African Political Economy*, Vol. 31, No. 101 (2004), pp. 401-410; “Nigeria’s Faltering Federal Experiment,” *International Crisis Group*, Africa Report No. 119, (October 25, 2006), pp. 4-5.

37 “Nigeria’s Faltering Federal Experiment,” *International Crisis Group*, Africa Report No. 119, (Oct. 25, 2006), pp. 4-5; James Alm and Jameson Boex, “The Role of Economic versus Political Factors in the Incidence of Intergovernmental Transfers in Nigeria,” *Journal of Development Area*, Vol. 42, No. 1 (2008), pp. 3-4.

that the derivation-based oil revenue should go to the local governments and communities, surpassing the state mechanism. Secondly, oil ownership is not private, in that if oil is found on private land, the landowner does not own the oil (as is the case in the United States) but rather the Nigerian state owns it.³⁸

The Nigerian National Petroleum Cooperation (NNPC), formed in 1977, controls Nigeria's energy sector;³⁹ its chairperson is the Minister of Petroleum Resources (currently Diezani Alison-Madueke). In 1988, General Babaginda oversaw the commercialization of the NNPC into 12 strategic business units, including those concerned with exploration and production, gas development, refining, distribution, petrochemicals, engineering, and commercial investments.⁴⁰ The Federal Government—operating through the Department of Petroleum Resources (DPR)⁴¹—appoints the board of the company.⁴² NNPC operations cover the “upstream investment” (current and future energy reserves) and “downstream investment” (multi-national oil companies control oil refinement and distribution).⁴³ However, there are talks about reforming the NNPC as part of a complete overhaul of the Nigerian energy sector to make it more efficient and competitive.⁴⁴

What is also becoming apparent, and what is of particular concern, is that exports of Nigerian oil to the US almost halved between 2011 and 2012, dropping from a high of one million barrels a day in the late 2000s to around 400,000 barrels a day in 2012, leading Nigeria to drop the price of crude oil.⁴⁵ It seems unlikely that Europe would fill the gap created as Europe seeks to find alternative energy sources.⁴⁶ The reason for the shift in US demand seems to be an increase in US-based oil and natural gas exploration (particularly in shale deposits) and in the use of alternative energy sources.⁴⁷

DEFENSE

Nigeria became independent in 1960. In 1999, the country adopted a new constitution that helped facilitate the transition from military to civilian rule. The national policy stipulates that the armed forces must 1) Defend Nigeria from external aggression; 2) Maintain Nigeria's territorial integrity; 3) Aid civil authorities to

38 Rotimi T. Suberu, “The Supreme Court and Federalism in Nigeria,” *Journal of Modern African Studies*, Vol. 46, No. 3 (2008), p. 462; Insa Nolte, “Federalism and Communal Violence in Nigeria,” *Regional & Federal Studies*, Vol. 12, No. 1 (2002), p. 175.

39 Until 2007, it was known as the Nigerian National Petroleum Company, but in 2007, President Yar'Adua demanded that it went through a reform process, which it did. “Nigeria Oil Sector Reform,” *Africa Research Bulletin*, Vol. 44, No. 10 (October 17–November 15, 2007), p. 175–80.

40 The managing director Mr. Andrew Yakubu. <http://www.nnpcgroup.com/AboutNNPC/NNPCManagement/ExecutiveManagement.aspx>

41 This is the Petroleum Regulatory Agency of Nigeria, and it is led George Osahon, with the DPR having statutory responsibility of ensuring compliance to petroleum laws, regulations, and guidelines in the Oil and Gas Industry

42 For further information, visit the NNPC website: <http://www.nnpcgroup.com/>

43 Majed A. Al-Moneef, “Vertical Integration of National Oil Companies,” *The Developing Economies*, Vol. 26, No. 2 (1998), pp. 203–222; for further information on the NNPC's role in upstream and downstream investment, visit the NNPC website: <http://www.nnpcgroup.com/>

44 Reportedly President Yar'Adua plans to submit a proposed legislation to reform Nigeria's ailing energy sector, which is blamed on the decision-making process within the NNPC. The 175-page proposed Petroleum Industry Bill is designed to invigorate the Nigerian energy sector and stimulate investment as well as ensuring that Nigeria's deep-water oil fields yield their maximum. The government hopes that through the reform Nigeria's production will increase. “Nigeria: Oil and Gas Reform,” *Africa Research Bulletin*, Vol. 45, No. 10, (2008), pp. 18020B–18021A.

45 In 2012, Cargoes of Qua Iboe crude, one of Nigeria's benchmark grades, sold for almost 40 cents a barrel below the official price. Sarah Kent, “Nigeria Bearing Brunt of U.S. Shale-Oil Boom,” *Wall Street Journal*, March 6, 2013.

<http://online.wsj.com/news/articles/SB10001424127887324662404578333981454427720>

46 Gail Edmondson, “EC energy policy shift for 2030: a competitive low-carbon economy,” *Science Business*, April 3, 2014.

<http://bulletin.sciencebusiness.net/news/76513/EC-energy-policy-shift-for-2030--a-competitive-low-carbon-economy>

47 Citigroup issued a report in 2013 suggesting that because US oil and gas production is evolving quickly—while there also is a decline in demand and the use of alternative energy sources—the US could no longer need to buy oil from any source but Canada. Patti Domm, “US Is on Fast-Track to Energy Independence: Study,” *CNBC*, Feb. 11, 2013. <http://www.cnbc.com/id/100450133>

restore order, although only when called upon by the president; and 4) Perform such other actions prescribed by an act of the National Assembly.⁴⁸

The military, however, remains a constant feature in Nigerian society, although it does not seem to threaten civilian rule at present.⁴⁹ The military has over the last few years had to deal with some border disputes but mostly these are to do with internal religious-based violence. Initially, the military was careful in the way that it suppressed the violence: not many soldiers were involved, which suggests that the military hierarchy did not want to send many troops out because they feared that overwhelming force may lead to something more dangerous, such as a young officer trying to seize the opportunity to advance.⁵⁰ Also, it is possible that the military hierarchy felt that large military deployment will exacerbate an already tense political situation.⁵¹

Nigeria has no conscription, and men older than 18 are eligible to volunteer for service in any of the three military branches (Army, Navy, and Air Force) overseen by a Minister of Defense Lt. Gen. Mohammed Aliyu Gusau (Ret.). The Nigerian Army is the largest of the three branches, with 100,000 troops. The roots of the army lie with the British and Lord Fredrick Lugar, who established the West Africa Frontier Force in 1890 in Jebba, northern Nigeria. Once the British amalgamated northern and southern Nigeria into a single colony, the northern and southern regiments became 1st and 2nd Nigerian battalions, whereas the southern Nigerian regiment became the 3rd and 4th Nigerian battalions.

In 1990, Nigeria abandoned the position articulated by Maj. Gen. Muhammadu Buhari of non-involvement in African affairs and reassumed an active role as a regional peacekeeper, serving as the lead nation in Liberia and Sierra Leone (Nigerian peacekeepers also were involved in the UN operation in the Congo in 1960). Nigeria continues to serve in key peacekeeping

Divisions of the Nigerian Army

1st Division—Currently commanded by Maj. Gen. K.C. Osuji, it is located in Kaduna and is responsible for Northwest Nigeria. It is a mechanized infantry with affiliated combat support and combat service support units.

2nd Division—Currently commanded by Maj. Gen. E.F. Abejirin, it is located in Ibadan, Oyo State, covering southwest Nigeria. It is a mechanized infantry with affiliated combat support and combat service support units.

3rd Division—Commanded by Maj. Gen. J.S. Zaruwa, it is located in Jos, Plateau State, and is responsible for the northeast Nigeria. It is an armored division with affiliated combat support and combat service support units.

81st Division—Commanded Maj. Gen. T.I Dibi, this is Nigeria's newest division, located in Lagos. Its area of responsibility is Lagos and Ogun States. The division is a mechanized infantry with affiliated combat support and combat service support units.

82nd Division—Located in Enugu and commanded by Maj. Gen. S. Yusuf, it is responsible for southern Nigeria. It is a composite division with affiliated combat support and combat service support units.

7th Division—The division is new, established in 2013. Its located in Maiduguri, which is the largest city in Borno State in northeastern Nigeria. It's an armored division commanded by Maj. Gen. A. Mohammed.

⁴⁸ Erelu Olusola Obada, "Nigeria's Defence Priorities: Domestic Stability for Regional Security," Chatham House, July 18, 2013. <http://www.chathamhouse.org/sites/default/files/public/Meetings/Meeting%20Transcripts/180713Obada.pdf>

⁴⁹ In January 2014, President Goodluck Jonathan dismissed the high command, probably because of the military's inability to defeat the Boko Haram insurgency. It seems that the military accepted this, as there was no attempt to undermine the president's decision. "Nigeria's President Goodluck Jonathan sacks military chiefs," BBC News Online, Jan. 16, 2014. <http://www.bbc.com/news/world-africa-25759755>

⁵⁰ When the Boko Haram incident occurred, the military mobilized much more than it did when the inter-faith violence took place in Jos.

⁵¹ During the debate over the power transition, the Ijaw Youth Council, for example, called on the military to stay out of the political debate.

missions—in both military and police capacities—as it sees such operations as an effective way to project power across the continent and the globe.⁵²

The Nigerian Air Force⁵³ is 13,000 airmen strong, commanded by Air Marshal A.N. Amosu. It has four commands: Tactical Air Command (headquartered in Makurdi); Mobility Command (headquartered in Yenagoa); Training Command (headquartered in Kaduna); and Logistics Command (headquartered in Lagos).

The Nigerian navy, which has a total strength of 15,000 seamen, is considered one of the largest in Africa, tracing its roots to the Colonial Marine Department of the British Royal Navy. It is responsible for defending Nigeria by sea; enforcing and assisting in coordinating the enforcement of all customs, immigration, oil bunkering, fishery protection, and pollution laws (i.e., typical coast guard duties); and the enforcement of all national and international maritime laws ascribed to or acceded to by Nigeria.⁵⁴



FIGURE 5: Nigerian troops embark on an operation against Islamist terrorist groups in Mali (BBC).

CONCLUSION

Nigeria's enormous potential only will be actualized if it addresses two central issues: security and its reliance on energy for revenue. The two issues are connected. The energy sector is clearly servicing rampant levels of corruption, which in turn is facilitating disillusionment that is breeding criminality and insurgency.

Nigeria is in the midst of a unique process whereby the government has installed a number of reformers in key positions, most visibly the Finance Minister Ngozi Okonjo-Iweala, a Harvard and MIT-trained economist and former managing director of the World Bank. Reformers are facing an enormous challenge from vested interests that are challenging many of the reform proposals, which is why questions remain as to whether President Goodluck Jonathan is serious about tackling Nigeria's substantial infrastructure problems. His decision to fire the respected governor of the central bank, Lamido Sanusi, has not helped either Jonathan or Nigeria.⁵⁵ The expansion of social media in Africa, as well as the willingness of Nigerians to challenge established norms, eventually may bring about structural reforms, especially as democratic politicians become aware of the political dangers of not living up to election promises.⁵⁶

Heading into 2015, despite the gloom that comes with diminishing revenues and a pervasive sense of insecurity, there is optimism surrounding Nigeria, because Nigerians at least recognize that things must change, and they have begun to work on instituting important reforms, which will create more room for foreign investment.

52 Johnbosco Agbakwuru, "Nigeria spends \$13bn on peace-keeping—Ex-Polish envoy," *Vanguard*, Oct. 13, 2013.

<http://www.vanguardngr.com/2013/10/nigeria-spends-13bn-peace-keeping-ex-polish-envoy/>

53 For the equipment list see <http://www.globalsecurity.org/military/world/nigeria/air-force-equipment.htm>

54 History of the Nigerian Navy http://www.navy.mil.ng/History#.UztML_dVYU

55 Will Ross, "Is Nigeria serious about tackling corruption?," *BBC News Online*, March 11, 2014. <http://www.bbc.com/news/world-africa-26535530>

56 Elections for president, state governors, and legislators are scheduled for 2015.

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Addendum: Nigeria Risk Assessment 2014



NIGERIA RISK ASSESSMENT ADDENDUM

Executive Power Structure

President:

Goodluck Jonathan (People's Democratic Party)—Jonathan became president in 2010, following the death of Umaru Musa Yar'Adua, Nigeria's 13th head of state. A year later, Jonathan won democratic elections. He comes from the South, having served as governor of Bayelsa State in the Niger Delta



Goodluck Jonathan (The Telegraph (UK)).

Vice President

Mohammed Namadi Sambo (People's Democratic Party)—Sambo became governor of Kaduna State in 2007, focusing on development and social work.



Mohammed Namadi Sambo (Nigeria.gov.ng).

Finance Minister

Ngozi Okonjo-Iweala—This Harvard- and MIT-trained economist became Nigeria's finance minister in 2011 after failing to succeed Robert Zoellick as president of the World Bank.

Defense Minister

Gen. Aliyu Gusau (Ret.)—The former national security adviser and director of the military.

Ministry of Petroleum Resources

Diezani Alison-Madueke—Appointed in 2010, after serving as Minister of Mines and Steel Development.

Federal Ministry of Interior—Comrade Patrick Abba Moro

Federal Ministry of Trade and Investment—Olusegun Olutoyin Aganga

Military Leaders (Nigeria Defence Forces)

Chief of Defense Staff—Air Marshal Alex Badeh

Chief of Army Staff—Maj Gen Tobiah Minimah

Chief of Naval Staff—Rear Admiral Usman Jibrin

Chief of Air Staff—Air Vice Marshal Adesola Nunayon

Inspector General of Police—Mohammed Dahiru Abubakar



Nigeria Defence Forces Flag

Hydrocarbons Trade

Currently, the majority of Nigeria's major oil and natural gas projects are funded through joint ventures (JV) between international oil companies (IOCs) and Nigeria National Petroleum Company (NNPC), where NNPC is the majority shareholder. The rest of the contracts are managed through production sharing contracts (PSC) with IOCs

Key Oil/Gas Companies

The Shell Petroleum Development CO. NIG. LTD

Exploration and Production of Hydro-Carbons

Freeman House, 21/22 Marina,

Lagos, Nigeria

<http://www.shell.com.ng>



Shell has been working in Nigeria since the 1930s. Shell operates in Nigeria through the Shell Petroleum Development Company of Nigeria Limited (SPDC) and the Shell Nigeria Exploration and Production Company Limited (SNEPCo). SPDC is one of the largest oil and gas companies in Nigeria. SPDC has a JV with NNPC that is made up of NNPC (55%), Shell (30%), Total Exploration and Production Nigeria Limited (10%), and Nigerian Agip Oil Company Limited (Eni) (5%).

SPDC's operations include a network of pipelines, eight gas plants, and two oil export terminals. Shell's offshore activities are carried out by SNEPCo, which was formed in 1993 to develop Nigeria's deepwater offshore oil and gas resources. Under a PSC with NNPC, SNEPCo owns shares in three deepwater blocks: Bonga (Shell-operated), Erha/Erha North (ExxonMobil-operated), and Zabazaba/Etan (Eni-operated). Shell, through its subsidiary Shell Gas B.V., holds a 25.6% interest in Nigeria LNG Limited (NLNG). NLNG operates six liquefaction trains at the Bonny facility, with a total capacity of 22 million tons per annum (MMtpa), or 1,056 billion cubic feet per year (Bcf/y).

Gas supplies for the LNG facility come from several oil and gas fields operated by Shell, along with fields operated by the other NLNG partners, Total and Eni. Shell provides the LNG facility with fuel from three onshore projects (Gbaran-Ubie, Soku, and Bonny) and two offshore projects (Bonga and EA).

ExxonMobil

Mobil Producing Nigeria

Mobil House, 1 Lekki Expressway

Victoria Island

PMB 12054, Lagos, Nigeria

<http://www.exxonmobil.com.ng/Nigeria-English/PA/default.aspx>



ExxonMobil operates in Nigeria through its subsidiary Mobil Producing Nigeria (MPN) with a JV arrangement with NNPC. MPN has a 40% stake in the JV, and NNPC holds the remaining 60%. ExxonMobil also operates in Nigeria through its affiliate Esso Exploration and Production Nigeria Limited (EEPNL), which has a PSC with NNPC.

Most of ExxonMobil's projects are located in the deepwater offshore. The company's largest assets in Nigeria include Qua Iboe, which is a crude blend produced from several offshore fields in the Bight of Bifra, and the

Erha/Erha North deepwater project. Qua Iboe is Nigeria's largest exported crude blend, and production averages around 400,000 bbl/d, according to ExxonMobil. ExxonMobil also holds a 30% interest in Nigeria's newest producing deepwater field, Usan, which is operated by Total. ExxonMobil produces natural gas liquids from the Oso Natural Gas Liquids project and the East Area Natural Gas Liquids Project 2.

Chevron

Chevron Nigeria Limited
2 Chevron Drive, Lekki Peninsula
Private Mail Bag 12825
Lagos, Nigeria
<http://www.chevron.com/countries/nigeria/>



Chevron, through its subsidiary Chevron Nigeria Limited, holds a 40% interest in 13 concessions under its JV arrangement with NNPC. Chevron produces natural gas and the Escravos crude oil blend from several onshore and shallow water fields located in the Niger Delta. The pipeline network transporting Escravos crude is often subject to pipeline damage from oil theft. As a result, Chevron announced in June 2013 that it will sell its 40% interests in five onshore/shallow water leases.

Some of Chevron's largest oil projects are the Agbami field off the coast of the Niger Delta, which it operates, and the Usan deepwater field operated by Total, which Chevron owns a 30% share. The company also plans the start-up of the 33,000-bbl/d Escravos Gas to Liquids (GTL) plant, which is expected to come online within a year. Chevron is also the largest shareholder (36.7%) of the West African Gas Pipeline Company Limited, which owns and operates the West African Gas Pipeline. The pipeline transports gas from Nigeria to customers in Benin, Togo, and Ghana.

Total

4 Afribank Street
Victoria Island,
Lagos, Nigeria
<http://www.ng.total.com/>



Total has participated in Nigeria's oil and natural gas industries since the 1960s and currently has multiple subsidiaries that participate in the oil and gas sectors. Total operates mostly deepwater offshore fields and a smaller number of onshore fields that are linked to Shell's Bonny export terminal.

Some of Total's largest projects include the Amenam, Akpo, and Usan deepwater oil fields. Natural gas is also produced at onshore fields, known as the Obite Gas Project, and it is sent to Nigeria's LNG plant at Bonny. Associated gas from the offshore Amenam field also is transported to the Bonny LNG plant, and the field is the hub of Total's gas supply network to the LNG facility. Total owns a 15% stake in NLNG, the company that operates the LNG plant at Bonny. Total also has a 17% interest in Brass LNG Limited, a consortium that is building the Brass LNG Liquefaction Complex. According to Total, engineering work is still in progress. The complex is expected to have two liquefaction trains with a total capacity of 10 MMtpa (480 Bcf/y). The other members in the consortium include NNPC (49%), ConocoPhillips (17%), and Eni (17%).

Eni

Plot 23, Engineering Close
Victoria Island,
Lagos, Nigeria



Eni, through its subsidiary Agip, produces oil in both onshore and offshore areas of the Niger Delta region. According to Eni, its operations are regulated by PSCs and concession contracts. A large portion of Eni's production comes from onshore fields that produce the crude oil blend called Brass River. A portion of Brass River is lost regularly to pipeline damage and oil theft. As a result, Eni has shut in varying volumes of production since 2006.

In 2012, Eni divested its 5% stake in three oil leases. Eni owns a 10.4% share in NLNG and a 17% share in Brass LNG Limited. The company participates in a number of onshore gas projects, including the Tuomo gas field, Gbaran-Ubie, and the Idu project, most of which feed the Bonny LNG facility. The company recently reduced the amount of gas it flared in Nigeria. According to Eni's 2012 annual report, 90% of the associated gas it produced in Nigeria was sold.

Chambers of Commerce**Franco-Nigerian Chamber of Commerce & Industry**

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Nigerian-American Chamber of Commerce

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Nigerian-British Chamber of Commerce and Industry

Ebani House, 149/153 Broad Street, P.O. Box 109, Lagos.
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Nigerian-Canadian Chamber of Commerce and Industry

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Nigerian-Chinese Chamber of commerce & Industry

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Phone: +234 1 2668552, 22661744

Nigerian-Korean Friendship Association

Kajola House (5th floor), 62/64 Campbell Street, Lagos
Phone: +234 1 2635401, 2635714

Nigeria-Taiwan Chamber of Commerce & Industry

C/o Taipei World Trade Centre, Bankers' House, Plot 19c, Adeola Hopewell Street, V/I

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